

THE  
ROUND TABLE  
*A Quarterly Review of*  
BRITISH  
COMMONWEALTH  
AFFAIRS

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*Contents of Number 183*

**N.A.T.O. AT THE CROSSROADS**

**THE FUTURE OF THE COMMONWEALTH**

**CONTROLLING INFLATION**

**FRANCE IN NORTH AFRICA**

**PAKISTAN AND HER NEIGHBOURS**

**LEAP YEAR IN AMERICA**

**AN EDITOR AND HIS TIMES**

**And Articles from Correspondents in**

**UNITED KINGDOM IRELAND INDIA PAKISTAN  
CANADA SOUTH AFRICA AUSTRALIA NEW ZEALAND  
RHODESIA AND NYASALAND**

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# THE ROUND TABLE

A QUARTERLY REVIEW OF  
BRITISH COMMONWEALTH AFFAIRS

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# N.A.T.O. AT THE CROSSROADS

## DISENGAGEMENT IN THE COLD WAR

THE familiar device of undecided governments, appointing a Royal Commission to find a policy, or at least to postpone the demand for one, can sometimes be applied in international affairs. Before the meeting of the North Atlantic Council in Paris Mr. Lester Pearson truly crystallized the feeling of most of the members by saying that N.A.T.O. was at the crossroads of its existence. Yet there was little sign in the discussions of any common resolution to turn boldly in one direction or the other. M. Pineau, indeed, arrived at the council table with a fully articulated plan for a World Economic Development Agency, clear-cut in everything but the crucial element of finance. But it did not appear that the other members had come either equipped with equally definite schemes of their own, or with minds sufficiently made up on the French plan to adopt it or amend it effectively. Busy statesmen from so many nations are not to be blamed if, at an evident crisis in the life of the organization, they cannot work out an entirely new course of policy by debate during the few days they are assembled together; and in the customary non-committal optimism of the final announcement from the conference no doubt the most important clause is that which nominates a committee of three, Mr. Lester Pearson, Hr. Lange and Signor Martino, "to advise the council on ways and means to improve and expand N.A.T.O. co-operation in non-military fields, and to develop greater unity within the Atlantic community". Mr. Dulles scarcely exaggerates when he says that these triumvirs have "the most important task since the foundation of N.A.T.O."

When the N.A.T.O. alliance was formed seven years ago, under the imminent threat of actual war between East and West in Europe, it was foreseen by the founders, as the charter itself bears witness, that the unity then imposed by danger would cease to be adequately guaranteed by mere military expediency if at any time the danger should become less acute. That situation has occurred, though in a paradoxical way. The piling up, on both sides of the iron curtain, of thermo-nuclear armament so terrible that civilization could not survive an appeal to arms has diffused everywhere the belief that no great power will in the immediate future dare appeal to force; and with the growing belief that peace can maintain itself at least for a time on this precarious basis the repressed dissensions within N.A.T.O. have begun to revive. Then came the posthumous excommunication of Stalin (so reminiscent of the trial and conviction of the corpse of Pope Formosus), the enigmatic steps towards relaxation of the rigours of Soviet rule at home and in the satellite States, the peripatetic geniality of Marshal Bulganin and Mr. Khrushchev and the announcement of the reduction of the Russian forces under arms by more than a million men. Nobody in the West supposes that this is anything but a strategic disengagement in the cold war. The formations that have been withdrawn from one part of the line are

certainly being regrouped in order to be thrown again into the battle at another. But the manoeuvre has compelled the N.A.T.O. countries to face the fact that their unity hitherto has been largely maintained by leaning upon the adversary. Now he is providing himself with a formidable mass of manoeuvre, which in all probability will eventually be brought to bear not upon the military but on the economic front—which is yet quite capable of proving the decisive turning-point of the battle. The challenge to the defence is to present a solidly united line there also when the deferred clash comes.

The appointment of the triumvirs, then, acknowledges by no means too soon that the time has come to take some account of Article Two of the N.A.T.O. Charter. This article enjoins the members to strengthen their free institutions by "bringing about a better understanding of the principles upon which these institutions are founded", to "seek to eliminate conflict in their international policies" and to "encourage economic collaboration between any or all of them". If N.A.T.O. is to hold together in the absence of an immediately visible military threat, it can only be by giving full value to this last clause. The time is at hand when the building of a combined economic front must be recognized as no less intensely competitive than the provision of a joint defensive armament of nuclear missiles. The security given to the West by the monopoly of atomic weapons has been largely dissipated. The advantage the West still enjoys in industrial productivity is also in danger of being overtaken. Capital equipment is accumulating in Russia faster than anywhere else in the world; the new transfer of effort from the directly military field will further accelerate the pace. An article on another page\* discusses the forecast, which comes from high American authority, that the Russian economic machine will surpass that of the United States by 1969. Before that the Soviet Union will be spilling out goods in competition with Western Europe. The prize will be the economic domination of the Continent, and in particular of what is already its political and is becoming its economic battleground, divided Germany.

It may still be taken as an axiom that the Atlantic Community, made visible in N.A.T.O., is the one guarantee of orderly existence in this region of the world. But its unity, built on defence, is now beginning to weaken, and must be translated into a unity built upon economic integration if it is to withstand the tremendous stresses that will be set up when the community finds itself moving between the opposite gravitational forces of American and Soviet production. The collective resources of the members are more than sufficient to enable them to live on equal terms with the giants. But so long as these resources are manipulated by uncorrelated national efforts, the community will not advance at anything like the pace that is needed to keep abreast of its rivals. In industry after industry the United Kingdom, for example, can be shown to have an immense advantage over the Soviet in research; but that advantage cannot in present conditions be translated into productive power. We do not possess the skilled labour to make the machines we have devised and understand. That the labour is available in Germany has to be treated as irrelevant.

\* See p. 227.

Nothing is more certain than that European civilization in the twentieth century must operate in larger and therefore more efficient economic units, or perish. Above all a larger market is required. If all the Western European countries could be thrown together, there would be a market comparable to the United States. This is the subject-matter of the unofficial conference convened at Brussels this month by the European League for Economic Co-operation, and of M. Spaak's government committee on a plan for a customs union between the six members of the Iron and Coal Community, recently assembled in Venice. Though the ultimate reason for our competitive inefficiency is that the national unit of production is too small, we should have gone a long way towards superseding it by effective international units if the field could first be cleared of its encumbrances in the area of distribution.

The obstacles in the path are no doubt very formidable. Most conspicuous at present are the embattled tariffs of France, maintaining the most artificial way of living in Europe, and representing as they do the deep-seated dread of the future in a great nation that feels itself slipping from its historic position of leadership. N.A.T.O. exists for the allaying of fears such as these; and if it is now to make a positive instead of a negative contribution to the building of the Atlantic community it has to be consciously developed in the direction of economic integration. It rests with Mr. Pearson and his two colleagues to frame the agenda for such a development.

The directly political approach to a united Western Europe has been proved by the experience of the post-war decade to be impracticable. The dust lies thick on the wartime pamphlets whose authors, shocked by the failure alike of the British Commonwealth and the League of Nations to stop the collapse of Europe into war in 1939, propounded federal constitutions for the closer union of peace-loving nations. Intellectually, the federal movement is not discredited. Sir Winston Churchill, invited to Aachen to receive the Charlemagne prize as a good European, showed that he had not despaired of the ideals of the Fulton speech. It may well be that the majority of educated people in Western Europe would be in favour of fundamental change in the order founded upon the sovereign national State. It is certain that the majority of governments is heavily against any such change, reflecting in that attitude the mass opinion upon which they depend. Closer economic union can be attained only by the functional approach; but N.A.T.O. is a functional conception.

Heavy industry in Western Europe used to regard itself as one unit; this unity has to be restored and extended. It cannot be done without the full participation of the strongest European member. The planning proposed for M. Spaak's committee specifically contemplates the extension of the intended customs union to other countries than the six original participants. The time has come when for Great Britain the economic integration of Europe has become more urgent than that of the Commonwealth—one of whose members, Canada, will certainly be drawn into any effective solution of the problem. A compromise allowing the Commonwealth fiscal relationships to be reconciled with secondary preferences to the European group,

has been worked out in the so-called "Strasbourg plan" but it may be necessary to go further than this. We shall in any case be marshalled in this direction by our own national interests, for such countries as India and the emergent West African colonies cannot remain our reserved markets, and other outlets must be sought nearer at hand. We shall need to enter the steel pool; to help broaden the basis of economic fusion in Europe from coal and steel to heavy chemicals and electric engineering; and to commit our resources wholeheartedly to the development of the project of atomic power development in Europe—the inelegantly named Euratom.

If Western Europe is thus to be welded into an economic organism of viable dimensions for the modern world, the development, against the individualistic international tradition of centuries, will need to be guided, if not imposed, politically. It cannot be done under any sort of unitary constitution, but only by the accepted co-operation of sovereign States. Of this political guidance or pressure N.A.T.O. is now the accredited organ. Closer political co-operation between its member States, and a resolute effort to reconcile the unhappy dissensions that have of late been growing up among them, are the conditions precedent to the economic progress it is desired to foster. Whether that means a firmer articulation of the political framework of N.A.T.O. itself, or depends rather on the willingness of the member governments to throw a greater part of their political energies into its affairs, is a question to which the triumvirs will need to address themselves. One significant observation is that N.A.T.O. needs the stimulus of continuous individual leadership, and is associated with the proposal to raise the status of the Secretary General and confer a personal initiative upon him. Such a proposal will gain merit if the reports are true that this vacant office is shortly to be filled by Mr. Lester Pearson himself.

# THE FUTURE OF THE COMMONWEALTH

## ITS MEMBERSHIP AND ITS OBLIGATIONS

LIKE a familiar landscape, the British Commonwealth changes gradually, almost imperceptibly, but in the long run radically. Trees are planted here, cut down there, a house is built, a road widened, a stream dammed: no single event, even if noticed when it happens, is more than a passing wonder, yet in a couple of generations the changes may leave only the broad contour of hill and valley to recall for the returned exile the scene of his childhood.

So it is with the Commonwealth. Its last recognized ideologist, the last who set down the full panorama in one definitive picture, was the late Lord Balfour, whose famous report on imperial relations, with its Athanasian subtlety, was penned exactly thirty years ago. Only because the hills and valleys are still there is the present prospect still recognizable as the same.

The decisive novelty was the creation, less than ten years ago, of three great self-governing Asiatic nations, to join the Dominions and the United Kingdom in equal partnership. At a stroke, a Commonwealth which was still a European empire divided and modernized became a multi-racial community of divers nations. That was one aspect of the Commonwealth revolution of 1947. The second was made more manifest when two years later India was accepted as an equal member of the Commonwealth, though a Republic owing no allegiance to the Crown, acknowledging the Sovereign only as Head of the Commonwealth.

India, Pakistan and Ceylon were not only of different race, colour and religion from the countries whom they joined in equal partnership: they did not share the same history beyond the relatively brief period of imperial domination; the legends, myths, loyalties and evocations of their folk-memories were entirely different; they sprang from ancient—indeed much more ancient—civilizations of their own. The establishment of the Indian and Pakistani Republics—to be followed soon, it seems, by Ceylon—was a natural expression of this underlying difference. The retention of those Republics in the Commonwealth, on the other hand, confirmed the fact that the Commonwealth itself had changed, both in their eyes and in those of its other members, and was still changing. (It must not be supposed that the change was sudden: it was the Commonwealth formed by the nationalism of the older Dominions, especially Canada and the Union of South Africa, into which the new Asian member nations so readily fitted.)

All this is widely recognized. But it is not the only metamorphosis to which the Commonwealth landscape has been and is being subjected. The advance of colonial territories to self-government has accelerated rapidly in the past decade. The Gold Coast already has internal self-government and



is within hailing distance of full autonomy; Nigeria lags behind only by that interval which represents the extra difficulty of making a viable federal pattern in a country divided as she is by language, race and religion—a task which, it is true, may take many years. The Malayan Federation has been promised, not only internal autonomy, but external independence, by 1957. Singapore is far on the same road. The West Indian Federation, to which the participating territories pledged themselves at the London Conference last February to adhere, is planned to start if possible in 1958; if at present it is no more, it is the germ of a Dominion.

In the Central African Federation there has been created, by a curious grafting of territories at different stages of constitutional development, a State dedicated to the ideal of a multi-racial nation: a great experiment, whose outcome cannot yet be seen, but from which neither the Federation itself nor its three constituent territories can emerge otherwise than a long way advanced towards full constitutional independence of Westminster and Whitehall. Progress in East Africa has been held up by the Mau Mau revolt; as soon as that is finally quelled, and the Kikuyu tribe set on a new course, there must be swift political developments in Kenya, as well as its neighbours Uganda and Tanganyika, and the old prickly problem of closer union in East Africa will have to be tackled again. Cyprus is in turmoil over the question of self-determination; Malta, by an extraordinary stroke of political enterprise or opportunism, is very shortly to be virtually incorporated into the United Kingdom. Beyond doubt, another decade will see changes in what is now the dependent empire as rapid and as revolutionary as those which have affected the Commonwealth in the decade past.

All this provokes a number of questions, some of them immediate or imminent in their impact, others for the future, but to be pondered by thoughtful people now.

What conditions is it necessary for a country to fulfil to become a full member of the Commonwealth? What authority is to apply them and determine such a country's status? Will the machinery of Commonwealth co-operation which is appropriate, or at least workable, for a group of seven or eight countries be suited to a group of double that number, of such various sizes and kinds as the Commonwealth group would comprise if it included new independent units from Africa, South-East Asia and the West Indies beside its present nation-members? What does that machinery set out to do, and what relationship does it express? What, in fact, is this modern and arising Commonwealth? Is it really something worth while?

Thus the questions proceed from the particular to the general, and since the Commonwealth is not founded upon theories and principles but upon a resilient pragmatism, leaving the theories to emerge from contemplation of the facts, it is well to consider the problems in the same fashion.

### The Prime Ministers' Conference

A CERTAIN looseness of phraseology, however, must first be tautened because it can lead to practical error. The popular expression "Commonwealth and Empire", first familiarized by Sir Winston Churchill, has led



many people to suppose that the Empire and the Commonwealth are mutually exclusive societies, and that a territory upon attaining full nationhood is translated from the one to the other, as a schoolboy moves from preparatory school to public school. This is neither the historical nor the official nor the properly descriptive use of the term Commonwealth.

The Commonwealth, once but another name for the Empire, is certainly the name of the whole congeries, and includes the Empire. There are both self-governing and non-self-governing countries in the Commonwealth. The existence of self-government, or the degree of it, is a question of fact, not the testimony of a diploma: not necessarily coincident with the fact of membership of the special circle of countries for whom the term Commonwealth is sometimes reserved. Thus pre-1947 India, though not fully self-governing, was a full member of the Imperial Conference. Conversely, attainment of full self-government does not automatically admit a country to participation in the less formal present-day machinery of Commonwealth Prime Ministers' conferences.

This reasoning clears away at least one possible misconception. The extension of self-government and independence to a country now subordinate concerns only that country and the imperial power to which it was formerly subject: it cannot be questioned by other nation-members of the Commonwealth on the ground that its completion will make that country "one of them". The question of admission to Prime Ministers' conferences is quite separate, and there the principle of equality, *prima facie*, gives everyone a say, if we are to regard these conferences as a formal apparatus defining a certain community of equals.\* In historical derivation this is certainly so, but today the Prime Ministers' conference is one useful piece of machinery among others for expressing and carrying on the special relationship that exists among the countries of the Commonwealth. It is more imposing, has grander subjects and a higher status, than conferences of Finance Ministers or other such special mechanisms; but nowadays, with one broad exception, it is little more.

The broad exception is, indeed, important in this context. The Prime Ministers' conference has come to have the function of deciding the principles of Commonwealth membership. The classic case, of course, is its agreement in 1949 that India should remain an equal member-nation of the Commonwealth notwithstanding her becoming a republic. This function has not come to an end. It might have to be settled, for example, whether a country like Cyprus having a special and intimate relationship with a foreign Power could nevertheless remain a member of the Commonwealth. It might have to be decided whether a country which had become Communist—or, at an earlier stage, one which had entered into special treaty relations with

\* This view of the matter was borne out by the statement of the Secretary of State for the Colonies, Mr Lennox-Boyd, on May 11, 1956, about the Gold Coast. He said: "If a general election is held, Her Majesty's Government will be ready to accept a motion calling for independence within the Commonwealth passed by a reasonable majority in a newly elected Legislature and then to declare a firm date for the purpose. Full membership of the Commonwealth is, of course, a different question, and is a matter for consultation between all existing members of the Commonwealth."

Communist powers—could remain in the Commonwealth. There are other theoretical possibilities.

It is right that existing free and equal members of the Commonwealth should have free and equal voice in deciding who are to be considered as the "Club Committee" for these questions of constitution or status. In that respect the circle should be regarded as closed until it is extended by mutual consent. But such questions are not decided by majority vote, or by a morning's debate on the packed agenda of a conference. They have to be settled by patient diplomatic discussion and personal interchanges over a period. They are not in any case the bread-and-butter of the Prime Ministers' conferences.

Otherwise, those conferences, and the kindred specialist ministerial meetings, are to be regarded as essentially a piece of practical machinery which has evolved to meet a practical need. The question that arises about newly autonomous countries in the Commonwealth, therefore, is a pragmatic one as to the best practical way of extending the machinery to them. They are autonomous—that is the premiss: how are their relations with the rest of the Commonwealth to be conducted, "at the summit", when the relationship of colonial dependence and imperial responsibility disappears?

In seeking an answer, it will at once be recognized that mere additive expansion of the present arrangements cannot for ever be pursued. Conferences of more than half-a-dozen or so members soon become too unwieldy to do good work, at least in a short period. Moreover we are thinking here not of officials whose time is at command but of Heads of Government with many duties to discharge. Even now that air travel reduces the time factor to a minimum, it is a matter of arduous negotiation to arrange a conference at a time acceptable to all of eight men whose preoccupations at home include daily administration, parliamentary sessions and general elections. These material difficulties alone suggest that as the number of its members expands the full and inclusive Commonwealth Prime Ministers' conference will become less and less frequent, more and more the stage piece for rare and special occasions.

If personal contact at this high political level is not to be lost altogether, more workable plans have to be envisaged. There is no reason why there should not be regional or other limited Prime Ministers' conferences. One obvious possibility is an African conference or council. There might be meetings of those Prime Ministers who were specially concerned with migration, or with particular aspects of defence. Such mechanisms ought to grow out of practical need, not be created for their own sake, though the formation of an African Council might valuably anticipate an emerging need, and a Mediterranean Council might deflect the need for some of the desperate expedients conceived for Malta and Cyprus.

This brings us to the real crux of the matter. Is there anything which the Commonwealth does that cannot as well be done without it? Groups of its countries, obviously yes—Britain and the developing African colonies must, for example, hang together and have special non-foreign relationships for a long time to come, in their own essential interests—but is that true of

the Commonwealth as a whole? Has it still a meaning and is it still worth while?

The question has already been, in part, implicitly answered. No conceivable organization or connexion other than the Commonwealth can provide the right system within which countries of widely different stages of political and economic advancement and widely different degrees of national viability, such as the British territories in Africa, can proceed and develop, giving each other mutual aid and support. An African continent without a British Commonwealth, one whose territories had always the naked choice between colonialism and a spurious and insecure independence, would be heading for chaos and disaster.

Other limited aspects of practical relations suggest the same answer. If the United Kingdom, Canada, Australia and New Zealand have a special interest in migration, the Commonwealth affords them advantages in solving their problems (in regard to nationality questions, for instance) which could hardly be gained otherwise. If, say, Pakistan, the Malayan territories, Australia and the United Kingdom have a common defence problem, they can plan and act together to solve it as members of the Commonwealth in a uniquely intimate and at the same time unprovocative way. These advantages of the Commonwealth to special groups or for special purposes undoubtedly add up to a general advantage to the whole.

### Neutralism v. Interdependence

IT may, however, rightly be said that adding together a lot of special interests of particular members does not create a value for members who do not share those special interests, nor make their membership valuable to the rest. If there are such members, India perhaps might be reckoned the first of them. What is the Commonwealth worth to India, and what is India's membership worth to the Commonwealth?

The first question is obviously one for India and her people to answer. Pandit Nehru has repeatedly expressed his view in this fashion: membership of the Commonwealth, since it involves no commitments, can do no harm, while it may do good because its countries, having been associated together, have problems in common which they can discuss together. To the retort that there is nothing to stop them from discussing in the United Nations or elsewhere he would reply: the Commonwealth exists, it works, India belongs to it, and so long as it does not limit her freedom there is no positive reason why she should cut loose.

It may be assumed that if India were not now a member of the Commonwealth she would not wish to join or rejoin. That is the corollary of the inert-acceptance view of the Commonwealth. Consider the matter in another way: if India were not now a member would the rest of us wish her to join or rejoin? It is very doubtful. The argument that her neutralist policy, her discard of more and more relics of the British connexion, had left us with too little in common, too little to expect of her membership, would surely prevail.

Yet, as things are, the majority of informed people both in India and in

the rest of the Commonwealth regard her actual and continued membership as a desirable thing. Why? Because, when we come down to the truth, the Commonwealth expresses a fact which in these days people are almost afraid to acknowledge: that complete national independence is an illusion, that we are all members one of another, and that if we do not work together we shall perish separately. Pandit Nehru can hardly say that openly, for it pricks the bubble of neutralism as a principle, but he can tacitly admit it by keeping India in the Commonwealth; and the rest of the Commonwealth admits it by agreeing that it is worth while modifying our own several views by the process of discussing them with India under the Commonwealth shelter, because she and we belong together. Having come together, then, we should stay together. If the Commonwealth is no more, it is at least a protest against the falsehood of extreme nationalism and neutralism, the common names of blind selfishness in world politics.

The politicians, of course, neither speak for nor control all the facts of the situation. Beneath the surface of the constitutional position, interdependence is constantly exemplified in practice. In trade and business, of course: the decline of tariff preference has far from obliterated the special character of economic connexion within the Commonwealth, including its Eastern nation-members. Even more fundamental are the inter-relations of a cultural, professional and private kind. These are tough, and hard to destroy. They are the grass-roots of the Commonwealth, little affected by the political mowing-machine.

Nevertheless, when two ideologies are so flatly contradictory as that of neutralism and independence and that of the Commonwealth—belonging together—one or other must in the end be preferred and win. The time is coming, with the childhood of independence passing from the Asian members, and decisions having to be taken by and concerning African and other ex-colonial members, when the question will need to be put to the constituents of the Commonwealth: do you, or do you not, accept that this belonging-together involves both rights and responsibilities? At least the responsibility of consultation as the obverse of the right to be consulted?

Those who answer, flatly, "nay" will have no proper place in a lasting Commonwealth. Those who answer "just as in the United Nations, neither more nor less", are saying either too little or too much: either that the Commonwealth has nothing to add to the United Nations Charter, no special kind of belonging together, no special privileges and duties, rights and responsibilities; or that the Commonwealth is to be regarded as a partial simulacrum, or regional group, of the United Nations, in which event it would certainly imply military commitments, as well as many others.

If such questions are posed—and it is not the purpose of this article to do more than suggest them, or to anticipate the answers—they will at once excite others. Is an obligation to parliamentary democracy part of the Commonwealth code? Is part of it acceptance of multi-racial equality, and what springs from that as a test of the right of continued membership? We might find ourselves with a different kind of Commonwealth at the end of such a self-searching process.

One thing is certain. For any kind of Commonwealth to survive indefinitely, the sense of belonging together must be actively strengthened and fostered. Since the Crown is acknowledged by all as the Head of the Commonwealth, this task begins with the Throne itself. The Queen and the Duke of Edinburgh have shown a very lively sense of duty in this regard, and no doubt will continue to do so, spending part of each year travelling in the Commonwealth overseas. The time has surely come for a Royal visit to Pakistan and India.

In not many years' time the heir to the Throne, the Duke of Cornwall, will be old enough to travel. Obviously his home and school life must not be unduly interrupted, but it is essential for the future that first-hand knowledge of the Commonwealth overseas should be regarded as an essential part of the education of the heir to the Headship before he reaches manhood. He should grow up feeling that he belongs to them as much as to the home British among whom he chiefly lives.

The importance of the Crown has not diminished, it has increased. Her Majesty's recent visit to Nigeria at a critical stage in that country's development was a reminder of this. Has the time come for the personal staff of the Queen, as Sir Ivor Jennings recently suggested, to be strengthened in regard to Commonwealth affairs? We do not want a Palace Government, or a rival Commonwealth Relations Office: that is the danger. But do we not want a Commonwealth Inter-Relations Office which is as much the concern of all the members of the Commonwealth as of one particular one, the United Kingdom? Power has shifted, has been dispersed, and responsibility must be dispersed too. Once again, as so often in our history, the Crown provides the means of expressing anew the evolving facts of politics.



# CONTROLLING INFLATION

## MR. MACMILLAN'S BUDGET AND BEYOND

THE first Macmillan budget provides a useful vantage-point from which to take a broad look at our economic problems. It brings us, as it were, to the top of a shoulder of a mountain, affording a view both of the path we have already travelled and of the mountain peak that lies ahead. The general prospect at last offers some real encouragement. For the first time for over a year we are entitled to assume with reasonable confidence that we shall not live with the threat of a balance-of-payments crisis during the coming twelve months. Secondly we can believe that the inflation will be contained and there are good grounds for the hope that inflationary pressures will be diminished over the year.

Why is it reasonable to entertain these hopes? The main answer is clear: because the Chancellor of the Exchequer, so far from dissipating his prospective revenue surplus, is planning not merely to preserve it intact but to increase it. This is much the most important fact about the budget. It accounts for the favourable reaction of the outside world, reflected in the immediate strengthening of the quotations of sterling against the dollar and other leading currencies. There is no doubt that a "soft" budget would have met with just the opposite response.

It is true that at first sight the reinforcement of the surplus may not seem particularly impressive: only £15 million in terms of the conventional budget accountancy. But that does less than justice to the real effects of the budget. The extra £30 million from profits tax will not flow into the Exchequer this year, but it is money that will have to be set aside this year and not be paid out in dividends or used for capital expenditure. The loss of revenue from the introduction of retirement benefits for those not covered by employers' schemes will not add to inflation, since it will have its counterpart in extra saving. Moreover, we may take at its face value Mr. Macmillan's undertaking that expenditure will be pruned by at least £100 million. Altogether the reinforcement of the surplus of revenue over expenditure, a surplus already made easier to achieve by the effects of part inflation, should be substantial. There is a direct contrast between this budget and that of twelve months earlier. This year, fiscal policy will be pulling in the same direction as monetary policy and the other measures designed to check inflation.

To the question whether the prospective surplus is large enough it is impossible to give a categorical answer. Clearly the Chancellor of the Exchequer himself is satisfied on this score. His budget was intended to dispel "any lingering doubts" at home and abroad. It was framed explicitly on the assumption that it is better to err on the safe side than on the side of over-optimism, since an error in the direction of too much disinflation could be easily remedied. "We have learned only too readily how to turn the taps on." This has badly needed saying for some time. That Mr. Macmillan has said it,



without beating about the bush, is one more reason for confidence that fiscal policy is now on the right lines.

Nevertheless, any assertion that the budget provides for enough, or more than enough, "compulsory saving" in the form of a budget surplus conceals a tacit guess about the volume of that most imponderable and unpredictable of all economic magnitudes, the flow of voluntary saving. To halt inflation, the two together—compulsory saving and voluntary saving—must be sufficient to finance, without an inflationary rise in prices, the amount of physical investment that is taking place. Compulsory saving is only a supplement to voluntary saving; and the amount that is needed—the size of the necessary surplus—depends on the amount of voluntary saving that will be forthcoming. The real gamble in the budget, therefore, is not the introduction of Premium Bonds: it lies in the hope that voluntary savings will respond in sufficient measure to the various inducements held out.

### Breaking the Vicious Circle

**A**T this stage, the problem of stopping inflation is as much psychological as technical. So long as savings are inadequate, inflation will go on; but so long as prices continue to rise, saving will be at a discount. People will prefer to turn their money into goods because they notice and fear the erosion of money values. We have to break out of that vicious circle. Yet reliance upon large budget surpluses to extricate ourselves has in it the threat of yet another vicious circle. Because private saving is insufficient, we must have a large surplus; but this involves high taxation which may still further depress private saving and so in turn compel a still larger surplus and so on. It is like a habit-forming drug, and the Chancellor of the Exchequer was wise to direct attention to the dangers of the device. Like a habit-forming drug, however, it can on occasion serve a useful purpose. If the inadequacy of private saving is due not only to high taxation, if in fact it is due even more to continually rising prices than to high taxation, then budgeting for a surplus may, as an unusual measure, provide the way out. Certainly it would be unrealistic, without the help of a tough budget, to expect monetary policy, in Mr. Macmillan's phrase, "to go it alone".

Fortunately there are reasons for hoping that one tough budget, in combination with all the other restraints in operation, may be able to achieve sufficient psychological impact to break the deadlock and abate the inflation, thus increasing the chances that later on the Chancellor of the Exchequer can make tax concessions and stimulate a real revival of private saving. This year's task will be lightened in two ways. First, one of the major burdens last year, both on the balance of payments and on company finance, arose out of the steady growth of inventories—stocks and work in progress—at rising prices. It seems doubtful whether industrial production this year will be much higher, if at all, than in 1955. And if that is so there may be no further addition to stocks. Indeed, if in a sufficient number of industries it begins to appear that the demand for goods is no longer expanding, and if the credit squeeze is progressively felt, we may see some actual running down of stocks.

Secondly, for several years past the budget has shown an over-all deficit:

the surplus "above the line" has been more than swallowed up by advances to local authorities and other payments "below the line". Given the promised economies in government expenditure, we can expect that the Exchequer, on the old accounting basis, will this year show a considerable over-all surplus. The real effects of this change are in no way affected by the alteration in book-keeping which arises from Mr. Macmillan's decision to take the nationalized industries directly under the wing of the Exchequer. The swing back into over-all deficit on this account is an optical illusion. What it means is that the surplus above the line will not be sufficient to finance the capital expenditures both of the local authorities (in so far as these still fall on the Public Works Loan Board) and of the nationalized industries. But there is a great improvement on the situation hitherto, when the surplus above the line has not been large enough to meet the needs of the local authorities alone.

This improvement in the general finances of the Exchequer is of the first importance from another point of view. As we have seen, the Treasury for some years past has had to borrow in order to find part of the money required by local authorities. A large part of our troubles has arisen, in the writer's view, not so much from the mere fact of this borrowing as from its special nature. The practice has been to finance this borrowing, in the first instance, by the issue of Treasury Bills. This in turn tends to increase the so-called liquid assets of the banks, while also and equally increasing their deposits. And when the banks therefore become aware that a larger proportion of their deposits is represented by liquid assets, they tend to expand credit further, either by buying investments or by lending more money; this has the effect of again enlarging the deposits of the banking system, until the liquid assets held once more assume the normal proportion. The result, it will be apparent, is that, because of the special character of this short-term borrowing by the Government through Treasury Bills, the money we mainly use, namely the bank deposits on which we draw our cheques, is increased and is likely to go on increasing so long as the process continues.

### The Unique Borrower

THIS kind of short-term borrowing by the Government to raise the money they have not been able to find by taxation or the attraction of private savings is inflationary. There is a fundamental distinction between short-term borrowing by the Government and borrowing by anyone else. If the liquid assets of the banks are kept under tight control, all that any other borrower can do is to attract to himself the use of money already in existence. Short-term borrowing by the Government, by contrast, actually adds to the supply of money: it creates new money. And every such addition makes possible a rise in the general level of prices to heights that could not be maintained if the supply of money were held at a constant level. Yet another encouraging feature of this budget is the awareness the Chancellor of the Exchequer shows of this subject and the emphasis he places on the need to keep down the volume of the floating debt.

Part of the progress we have already made in dealing with the inflation is that the *basic* level of bank deposits has been declining since early in 1955. The deci-

sion to make gas and electricity the direct responsibility of the Exchequer could, in itself, make for retarding that progress by enlarging the supply of Treasury Bills and so fortifying the liquid assets of the banks. But it is reasonable to suppose that in practice any such tendency will be negated by a vigorous programme of debt funding: the Treasury has already given earnest of this by the issue, at a considerable discount, of the  $3\frac{1}{2}$  per cent Treasury Stock.

It can be said in a general way that most of the other measures taken to weaken the inflation have been designed to slow down the velocity of the circulation of money rather than to hold steady or diminish its volume. This is true of the restrictions upon hire purchase, the restrictions upon bank credit, the intensification of the Capital Issues Control. But if the budget fails to take adequate measures about the volume of money, there is always a danger that these restrictions and controls will be neutralized by the infusion of additional, newly-created money. With this budget the danger should not exist: on the contrary there are now some definite grounds for hoping that the downward trend of bank deposits already in evidence will continue and gradually limit and reduce the purchasing power of the economy.

A modest reduction in the volume of purchasing power is a necessary condition of stopping the inflation. Securing this reduction is neither easy nor pleasant. But it is a task which only the Government can undertake. In recent years there have been a great many appeals and admonitions addressed to employers and employed, to industry and the trade unions, to the public as a whole, all asking for restraint. It is indeed important that the nation should take a long-term and responsible view of its interests. But it is not reasonable to believe, in a situation like ours, that exhortation will ever bring inflation to a halt. It would be like expecting water to run uphill. For the natural interests and legitimate desires of an individual, a particular industrial company or a trade union, British industry or the Trade Union Congress, are not the same as the national interest or what the Government must desire for the national economy as a whole. Particular and sectional interests are related to particular and sectional prospects and possibilities. There is no law of natural harmony which dictates that they must coincide with the interest of the whole.

Once a wages spiral has started, there will always be groups of workers in some industries or some grades who are lagging behind. They will have a perfectly good claim, on the basis of accepted differentials, to an increase in their turn. And it is the function of the trade unions to press on behalf of their members for any increase the traffic will bear. Trade unions, like everybody else, may behave with greater or less regard for the general interest in discharging their functions. But their job is to see that their members do not get left out in the cold. It is not their fault if general conditions are such that the traffic will bear wage increases that carry the spiral of inflation another round upwards and on.

### Two Distinct Economies

**M**OREOVER, this question of differentials makes it almost certain that, in an inflationary environment, wage increases will outstrip productivity and carry the inflation farther. We almost have two distinct economies.

On the one hand there is a progressive and prosperous sector with rising productivity, to which the metals, chemical and engineering groups of industry belong. On the other there is a sector of the industrial economy where productivity has been advancing little, if at all: it includes such industries as mining and the railways. If the general demand for labour is so strong that workers in the prosperous sector can secure a considerable part of the benefits of rising productivity for themselves, and if, in order to maintain recognized differentials, similar increases are awarded in the other sector, then an inflationary wages spiral is inevitable.

Again, from the point of view of the employers, once an inflation is moving, production of all kinds will appear highly profitable. Demand is so strong. Hence they will naturally and reasonably be anxious to expand their output. They will bid up for labour. They will prefer ample stocks to idle cash. They will embark on important projects of capital expenditure and raise their dividends amongst other things to attract fresh capital. All of this, like the activities of the trade unions, has the effect of moving the inflation forward. It all increases expenditure. But how else should we expect business men to behave when business is good?

It is the job and duty of the Government to make sure that these interests, desires and activities which together make the dynamic of the economy are so harnessed and directed that they serve and do not work against the general good. The office of the Government is not to snap the nerve of endeavour or to substitute stagnation for dynamism. It is to set an upper limit to the general demand for goods and services on the part of all of us, so that the natural interests and activities of industry and the trade unions work constructively for the welfare of the nation. The Government by its action on the general condition of the economy has to create that harmony of particular interests in relation to the whole which does not come by nature. It must control the volume of money, first and foremost; through its exclusive control of the printing press it can establish healthy monetary conditions which allow aggregate demand to harmonize with the amount of goods and services produced.

### **Mistakes of the Past**

The budget also gives a vantage point from which we can look back and perhaps learn something from our mistakes. The obvious question is why we did not do all this before now. Over the last eighteen months there have been repeated interventions by the Government. Why have we been so slow to take the necessary action?

One reason probably lies in the illusions most of us have cherished about the effectiveness of raising the Bank Rate, if this is not part of a more general programme of action. The analogy with the raising of Bank Rate to deal with the problems of 1951-52 was natural, but in fact misleading. For then the higher Bank Rate worked with the stream of events, not against it. Stocks were falling and confidence was shaken: the outlook was uncertain. These other factors conspired to make the use of Bank Rate seem very effective. But in our recent difficulties the tide was the other way. Confidence was high,

stocks were rising, there were boom conditions. Raising the Bank Rate was shown to exert, by itself, a modest influence which was quite insufficient to slow down the momentum of the boom.

Then again, last year we underestimated the boom, the sheer strength of demand for capital and consumption goods. It was a very natural mistake. The anxious and uncertain post-war years, the long war, the depression of the 'thirties, had not prepared us for that flowering of confidence and belief in expansion which in the last three years has altered the outlook of British industry. But in fact there has been a shift in basic attitude, almost the most encouraging happening in Britain since the war. But because we failed at first to measure this change, we also failed to judge what was required to make the policy of the Government effective.

Beyond this and related to it there has been another happening, also in itself good and constructive for our future. Since our recovery from the war some hundreds of thousands of men and their families have lifted their sights and demanded more, far more, of the good things of life because they could now pay for them. This has not been a gradual change: in the last few years it has come with a rush. High wages, continuous employment and a better standard of education have done it. It is a social change of the first importance. But from the present point of view what matters is the great expansion of demand for all types of consumption goods which this change has brought. Just as the belief in expansion has increased demand for capital goods, so this aggressive demand for the good things of life has stepped up all requirements for consumption. Together they have made a demand on our national resources beyond our power to meet, and very difficult to restrain because of the confident forward-looking states of mind from which it sprang. We underestimated the sheer power of the energies let loose.

### The Further Scene

FROM the shoulder of a mountain one can look onwards to the peak. What do we see when we look beyond the budget? Beyond the immediate problems of the inflation and the Chancellor of the Exchequer's proposals for dealing with them lies the question of how Britain is to make her way and pay her way in an increasingly competitive world. The two giants of our age, the United States and Russia, are rapidly increasing their industrial power and production. Russia indeed seems to be moving the faster of the two and it is thought that these two nations may have industrial economies of equal power in 1969. They achieve their astonishing progress by quite different methods. The ground for choosing between their methods is not to be found in the comparison of efficiency; it rather lies in the relation of the methods adopted to the kind of society we think the better, the relations between the citizens, the relations between the Government and the citizens.

Since the years of immediate recovery from the war we have not advanced at the same rate as our great competitors. We have been relatively lethargic and risk falling progressively farther behind. Here is the fundamental question for the British economy and Britain. We have had to turn aside from it to deal with the inflation. We have even had to check and damp down those



elements of dynamic power on which we must rely for the future. This is necessary, but in a sense time wasted. It is like having to find our way back to the race course in order to begin running again. Once we have reduced the inflation and the economy is again in trim, we face the real issue. Whether we shall continue to have a seat at the table where world issues are decided, whether the Anglo-American alliance remains a reality, whether we count as one European nation or as a leader in Europe, whether indeed the Commonwealth continues to live and grow—all this depends on the rapidity and determination with which we develop the size and the efficiency of our industrial economy. It is also true that if we answer our question badly and fail to find a good solution, we shall not be left to go on as we are. There is a sense in which it is still true that trade follows the flag and will not do so if the flag is lowered.

Suppose that the inflation is brought under effective control in the next twelve months, how can we approach this mountain peak? We have to recognize the one-sidedness of that preoccupation with social justice, distributive justice, which has been the passion of the nation and the prescription of both political parties since the war, for both claim an equal share and interest in the Welfare State and each vies with the other in protestations of fidelity to it. This one-sided and very introspective concentration of interest has two effects. One is that preoccupation with the distributive processes of welfare takes attention away from the long-term problem of our well-being in a competitive world. The other is that we tend, almost unconsciously, to feel the advantages of a relatively static society since it makes the questions of social justice so much easier to handle.

Our problem, then, is how to marry positive acceptance of change and development, progressive enterprise, the rise and fall of the fortunes of economic units within the whole society, the varying success and rewards of individuals, with our accepted notions of social justice. Or, to put it another way, how are we to convince ourselves as a people that only in an expanding society can reasonable satisfaction for the expectations of all have a chance of realization? On some such vision of the future depends in the last resort the prospect of saving enough to make it real. Keynes said that money was the link with the future. This is very true, but it presupposes that we can envisage a future we feel it worth being linked to, a future in which we believe so strongly that we are prepared to save and make capital goods for it rather than spend all we have now. For the power house of a progressive expanding economy is its saving for the future.

It may be that we shall find a clue to our problem by seeing that all the answers to social justice cannot be given in terms of money and the progressive realization of its equal distribution. Perhaps it is the case that, while all should be above the level of subsistence and have enough to make real choices by which to differentiate and enrich their lives, so that they live as citizens rather than as units of society, yet it is not for the general good that there should be too rigid ceilings on incomes, corporate or private, simply for the sake of bringing them close together. There is a great difference between equality of income and equality of opportunity. Equality of income,



in a literal sense, is as much against the inherent tendencies of mankind as equality of mental and physical endowment is against nature. But equality of opportunity, which we have yet to develop further, accords with life and enriches it: it is a secret of growth, variety and fruitful change. It is quite possible that part of the basis for reconciling social justice with an expanding society will be found in a wider interpretation of opportunity. Equality here is not just a matter for the services of education, health, employment and old age. It lies as much in the social recognition of the different jobs that people do. If they contribute to the general good, they have an equality in honour and status and are entitled to the social quality of full citizens, whatever the difference of function. Equality of opportunity will be fully realized as our consciousness extends beyond political equality to the social parity of the citizens whatever good services they perform for the community.

# FRANCE IN NORTH AFRICA

## FEDERATION OR DEPARTURE?

THE necessity to reconstruct the French position in North Africa confronts France today with the gravest problem that the Fourth Republic has had to resolve since its constitution. Looking at this problem from the point of view of France, we may enumerate twelve essential elements.

The first is the difference in character between the three North African territories. One, Algeria, was formally organized in three French *départements* united under a Governor General. It has lost its traditional framework of native leaders, whose suppression was initiated by Bugeaud after completing a conquest aiming at assimilation. The other two, Tunis and Morocco, remained until yesterday bound to France by treaties setting up a protectorate. In the execution of these treaties respect was paid at least to the nominal authority of their own sovereign and, in the case of Morocco, under the unexhausted inspiration of Lyautey, the tendency has been not to destroy but on the contrary to fortify the traditional institutions and personnel even when they exerted only the semblance of authority or power.

The second essential element is the special international status of Morocco, where the French protectorate was established under the terms of the statute of Algeciras, which guarantees an "open door" system for foreign imports into Morocco.

Thirdly, the three territories were differently organized strategically. One, Algeria, fell within the boundaries of the Atlantic Pact; the other two were parties to it only to the degree in which their foreign and defence policies were controlled by France. It is highly desirable that France, who pays for this defence, shall continue to represent them in the councils of the Atlantic Pact.

Account has next to be taken of the large French element in the population of North Africa. The figure in Algeria has reached 10 per cent and it includes nearly two million French in the three territories together. A large proportion of these French people have been established in the country for several generations and regard themselves as North Africans.

Next comes the tragic problem presented by the enormous increase of the Muslim population in North Africa. This increase has already produced mass unemployment among the young, many of whom then find their way into the so-called army of liberation. In Algeria, for example, the excess of births over deaths now amounts to 260,000 per annum, and all estimates justify the prediction that it will go on increasing continuously and reach half a million in twenty-five years. We must expect that in these twenty-five years the number of places required to provide employment for the Muslim population will by 1980 exceed by 300,000 those which are available today. The possibilities of new employment offered by agriculture at present are limited; the artisan class in the country districts will at the most be able to maintain its present working strength; and Algeria has few natural resources

for industrial development. The Maspétiol plan contemplates a massive effort, which will involve considerable financial sacrifices for France and notably a colossal multiplication of new investment in private enterprise. This investment, it is proposed, should increase from 35 milliards of francs in 1955 to 315 milliards in 1962, and should be maintained at that level thereafter. Agrarian reform, the enlistment of new sources of energy, and the reclamation of the Sahara can possibly yield no more than a partial and rather slow contribution to this aspect of the problem.

The sixth element comprises the powerful economic and political efforts exerted by France in North Africa. When Frenchmen are accused of an excessive reliance on direct administration, let it be remembered that this was indispensable as regards economic and industrial equipment, which was non-existent, and that the results, in the increase of fertility and the economic development of the country, have been brilliant. But this economic development, though rapid, has developed without enough political insight or guidance. Political intervention has become necessary. Agrarian reform, for example, must be put into immediate effect because of the enormous increase in the Muslim population.

### Extension of the Mother Country

In the seventh place we have to consider the importance of North Africa for France. North Africa in fact constitutes, as was seen during the war, a true strategic and economic extension of the mother country. Not the quiet waters of the Mediterranean but the sand dunes of the Sahara make the true frontiers of France, at least until revolutions in tactics make obsolete all our notions of terrestrial frontiers. General de Gaulle rightly summed it up by saying that on the scale of the last war, the Marne of 1940 was the Mediterranean. From another point of view, if Russia has until the present day found in Asia a continent giving scope for expansion and for outer defence; if England has always been ready to find in America the support on which she can lean; then Africa constitutes for France her natural geographical prolongation, her historic zone of expansion and the nearest refuge from the invader. Let it be added that, if French North Africa ceased to be France, it is evident that it would not be long before Antananarivo and Dakar, Brazzaville and Jibuti, conformed to the movement of secession.

The eighth element is the impact on North Africa of a world-wide phenomenon, the awakening and uprising of the coloured peoples. Throughout Asia and now in Africa immense forces are on the march. Their aspirations are towards two aims, a better standard of living and liberation from foreign dominance. Of these two aims they insist on the precedence of the second. More than that: the first is to be sacrificed to it in case of need.

In this movement Islam has an important part; and in the first instance the Arab peoples, which have always acted as its advance guard throughout the Muslim world. In this respect the explosive force of Muslim solidarity in the three territories, especially among the young, imposes upon France, in all her dominions and above all at home the need for vastly more revolutionary measures than French opinion seems to realize. It must be added that

the movement has been hastened, in its implication for North Africa, by the moral and political repercussions of the French defeat in Indo-China. For that reason one must not be surprised that what has been called the Bandung conspiracy gives the signal for direct action all along the line.

Nor is it surprising that the pressure of public opinion in their countries has driven the Sultan of Morocco and M. Bourguiba to take up extremist positions with regard to Algeria, while at the same time they expect the French to finance their own armies to the tune of 30 milliards of francs a year.

The political mistakes of the allies of France contribute a ninth element to the problem. In this connexion must be noted the deflexion of British policy, which has come to recognize—alas, too late for the old-established Powers—that only mutual support can afford a faint chance of maintaining joint positions in Africa. It might be expected that this policy of joint action should be prolonged in negro Africa. It is possible to find a compromise between immobilism and desertion without notice. In this respect, the *timing* of the last move of British diplomacy as regards the formal recognition of Moroccan and Tunisian independence is to be deplored.

By contrast, the action of the United States of America has tended to encourage the nationalism of the coloured races without taking account of the fact that even down to the present moment it has been financially, strategically, economically and even politically impossible for these races to support themselves, and that the withdrawal of France would immediately pose the problem of her replacement, with the repercussions that would inevitably follow, bearing in mind that Soviet action has been in train from the day that the American bases were established in Morocco.

Tenthly, the projected new agreements with Morocco and Tunis are preparing them for the advent of separate and even unco-ordinated military and diplomatic systems, in place of a combined Franco-African apparatus of defence by which the independence of the two new states would have been underpinned to the extent necessary for the building of one of those great combinations without which it is vain to speak of security or liberty. The result is to compromise the policy of rational evolution initiated by M. Mendès-France in July 1954, which, while conceding an extensive measure of autonomy, aimed at preserving at the same time the powers essential for maintaining a connexion designed for concert with France. Consequently, the 1,200,000 Europeans of Algeria are asking themselves how a policy that recognizes the Algerian state as an entity could stop short, given its common frontiers with Moroccan and Tunisian Arabism, of allowing to it a wholly independent political status with control of its own forces and foreign policy.

The eleventh factor is the state of anarchy created in Morocco and to a certain degree in Tunisia by the abrupt supersession of French authority and the attainment of independent status by large and backward populations which in the country are still in a medieval stage of development. In this connexion the respect enjoyed by the Sultans has come to be diluted by the will to power shown by the parties of independence, which like every dominant party in Islam inevitably gravitate towards Fascism.

Lastly, the growth of large-scale industry has brought to the urban centres and particularly to Casablanca elements which, detached from their tribal framework, fit only with difficulty into the framework of their new trade unions. In these trade unions, the creation of which has been encouraged by American unionism, but in which the Americans may find the same embarrassment as the British authorities have encountered in the Arab League, must be recognized one of the great political forces of the future. It is to be noted that the traditional religious forces, if they are not all-powerful as of yore, remain very influential. The alliance of the Great Mosque with M. Salah ben Yusef in Tunisia may greatly enhance the bidding strength of this Tunisian leader in the auction for power.

### An Enfeebled Political System

THESE, briefly summarized, are some of the essential factors in the grave situation that France has to confront. She has to confront it with an enfeebled political system, and with a Socialist party in the Government which is compelled to act in contradiction with the policy that provided the foundation of its electoral pledges. (In this connexion tribute should be paid to the patriotism of M. Guy Mollet.) Moreover, she must confront it with an army organized by N.A.T.O. for modern technical action in the great plains of Europe and not for the exhausting guerrilla in Africa. It must be added that the veteran Muslim troops whose discipline, technical capacity and organization were the pride of the *Armée d'Afrique* can no longer be employed against the revolt of their religious and racial brethren.

However, what great country, having planted in a quasi-border region like North Africa so large a percentage of its population, a population whose economic efficiency assures to it a part and an influence out of proportion to its numbers—what great power that has accepted the immense financial sacrifices that enable this North Africa to live and has made of it so important a customer of its external trade while the mother country has absorbed an appreciable part of the Muslim population into its own labour market—what great country could think of consenting to break the bonds that bind it to these territories?

Admittedly we are living in the twentieth century. It is idle to suppose, with the present weakness of Europe and the strength of the movement that is carrying peoples of other races into an explosive nationalism jealously infatuated with the idea of independence, that the forms of the old French occupation can be maintained. In this matter France has lost precious time. M. Mendès-France, when he took flight for Tunis, showed a full sense of the speed with which it was necessary to act. The action he took was sound and healthy. The right course for France was to grant internal self-government to Tunisia and Morocco and to begin to recognize the fact of Algerian nationhood. Unhappily, though M. Mendès-France acted in Tunisia, neither his government nor its successors acted in Morocco; and the unhappy delays in settling the dynastic question which flowed from this inaction involved France in the necessity for a capitulation by which, as has been said above,

she had to recognize the principle of a distinct military and foreign policy for Morocco.

In Algeria the situation is complicated by the fact that we have here three *départements* which form an integral part of the metropolitan territory. Certainly it is possible to build up an Algerian state within the framework of a federation comprising metropolitan France and the oversea territories. But no such federation now exists. General de Gaulle, however, fully understood the need to found the cohesion of metropolitan France with the body of oversea territories upon a base other than force. The war was still raging when he launched at Brazzaville the idea of a French Union. But this French Union has never been set up, perhaps because the presence of General de Gaulle in the background still had the effect of a scarecrow for the politicians of the Fourth Republic. For it is idle to contemplate setting up a federation without a very strong and very stable central authority, in a word, without a presidential administration. (Otherwise the word "federation" would mean only the first stage in an accelerating process of disintegration.)

### A Realistic Solution

This is certainly the direction in which France must now move, and that without delay. Admittedly the action required for the re-establishment of order must be powerfully supported; it is the only way to avoid prolonged and internecine bloodshed. But this action must be taken with a constructive purpose behind it. The theoretical advocates of integration, that is, of the inclusion of Algeria in a metropolitan territory on a basis of absolute equality, represent a sentimental, not a seriously thought out position. How can it be thought that the Fourth Republic in its weakness could succeed where the Third Republic in its strength was baffled?

It seems possible, however, to find a solution of the Algerian question which shall take account of realities. This solution will begin by acknowledging that the idea of a Franco-Muslim community is a mirage: it perhaps corresponds to an economic and a strategic reality, but it represents neither a political nor a social reality. In these circumstances it is time to face the problem presented by the coexistence of two distinct communities on the same soil, whose activities are interdependent and each of which must have separate representation.

So we come to envisage a French assembly charged with representing the interests of the French in Algeria; a Muslim assembly charged with representing the interests of the Muslims; and a mixed council to manage their common interests. Where there may be divergence of view on the problems raised by these common interests, as well as where major decisions have to be taken on foreign and defence policy, the appeal should go to a federal organ in Paris where all interests would be represented, in order that the decision may be truly that of the whole. It is not impossible that, if this federal authority is set up and equipped with a federal budget, Tunis and Morocco may be included in the federation, even if they contemplate adhering simultaneously to other combinations. A federated and independent North



Africa might perhaps agree to enter on equal terms into a Franco-African Federation.

Another school of thought sees Algeria as a federal state consisting of a certain number of *départements*. Those with a big French majority would be given a statute differing in some respects from those with a big Muslim majority. The elected bodies of these *départements* would enjoy a certain autonomy in administration. The great advantage of this solution would be that it would preserve stronger ties with Metropolitan France for the essential economic and strategic triangle of Algiers-Oran-Colomb-Bechar, which constitutes such a vital link in the Paris-Brazzaville axis. Whatever solution is adopted would have to be formulated with boldness and carried out with expedition. Will the great tides of unrest that are sweeping Islam allow it to be carried out? Yes, if France shows the necessary resolution not only in a military sense, but above all in carrying through her own political reform. If the Muslim peoples know that they have to deal with men who may change their minds at any moment, and that the political uncertainties that have hitherto deprived France of the power of constructive action are going to continue, it will be idle to expect them to accept a settlement that gives them less than entire satisfaction.

But 1,400,000 Frenchmen say: "We were born in this land. Our fathers died here. You cannot give entire satisfaction to the Muslims without inflicting grave injustices upon us." And it must be added that their return to France would destroy the balance of the French labour market and pose the most delicate economic and social problems.

So France has no choice. Either she takes the measures that are necessary alike for her internal reform and for her external cohesion; or she will find herself faced with a long series of convulsions, of which the loss of North Africa will not be the most painful element and of which the political repercussions upon the mother country will be laden with unknown and most dangerous potentialities.

# PAKISTAN AND HER NEIGHBOURS

## FOREIGN RELATIONS OF A NEW STATE

*(from a Pakistani correspondent)*

**D**URING the last two years or so there have been spectacular developments in the foreign policy of Pakistan. In April 1954 the Turco-Pakistan Pact was signed. A month later came the Mutual Defence Agreement between her and the United States of America. In September of the same year she joined S.E.A.T.O., and followed it up in September 1955 by becoming a member of the Baghdad Pact.

To a casual observer these developments may seem abrupt and even sensational. After all, for the first five or six years of her existence it had looked as if Pakistan was wedded to a policy of neutrality and non-alignment with either power *bloc*. What were, then, the factors which impelled her to such decisive and far-reaching steps? Was it the desire to play her natural role in welding together Muslim States in the Middle East and if possible in the Far East, and give shape and substance to what remains the dream of a Commonwealth of Islam? Or was it her antipathy and uncompromising stand against Communism? Or again was it the fear of India and Afghanistan, her two hostile neighbours who, ever since her inception as an independent and full-fledged State, have never allowed her that freedom from fear of external aggression which is so vital and necessary for the prosperity of a country and the welfare of its people?

Perhaps the answer will be in the affirmative to all the three questions, although none of them by itself could have produced the present trends in the foreign policy of Pakistan. One could even go a step further to say that even these factors collectively might not have produced the changes that we see today had there not been another important and decisive factor—her geographical position.

Pakistan is a peculiar country, inasmuch as its two wings—West Pakistan and East Pakistan—are separated by more than 1,000 miles of Indian territory. The two wings have in all about 2,000 miles of frontier with India, and there are no natural barriers that could help in defence against that country. West Pakistan has a common frontier with Iran and Afghanistan and is separated from Soviet Central Asia by a tongue of Afghan territory which is nowhere more than fifty miles in width. Throughout the nineteenth century and up to today Pakistan has controlled the famous Khyber Pass through which alone the Indo-Pakistani sub-continent could be invaded from the sixth century B.C. right up to the eighteenth century. Throughout the nineteenth century and up to the time of Hitler's declaration of war on Russia the British feared a Russian invasion through the Khyber and Kojak passes. As the crow flies the nearest Russian base today could be less than 200 miles from Peshawar.

East Pakistan has a common frontier with Burma and its eastern portion is less than 500 miles from Indo-China. Siam is even nearer. From Dacca, Kunming and Bangkok are each 1,000 miles away—a trivial distance in modern warfare.

Facts are stubborn things and from the foregoing account only one conclusion can follow. It is that even if Pakistan had, or might have, wished to remain neutral, the force of geography would have sooner or later brought her into alliance with one of the two power *blocs*. Once that was clear and she was in a position to give due attention to her foreign affairs, the logical step was to choose her friends. Therefore, for a correct appraisal of the country's foreign policy the proper subject of inquiry should not be why she discarded neutrality, but why she has aligned herself with those with whom she has? Before an attempt is made to answer this question, it will be helpful for our purpose if at the outset certain misgivings, which are often deliberately created, are allayed.

Those who are critical of Pakistan's foreign policy are overfond of pointing out that if, in spite of her Islamic ideology, her antipathy to Communism, the hostility of her two neighbours and her geographical position, she was neutral for six years, she could have remained so still longer, even perhaps indefinitely. On the very face of it the criticism is so flimsy and frivolous that it will require considerable persuasion to take note of it. It is as if to say that the conception of an idea and its fruition should be simultaneous and coincident. But if a counter-question is permissible it may be asked whether Pakistan could have embarked on her present course earlier than she has? The answer will have to be in the negative.

### Starting from Scratch

THE problems that confronted the country the moment it came into being have no parallel in history. The secretariat at Karachi started from scratch. There was not a penny in the national exchequer. India had refused to hand over the assets which were due to Pakistan under various partition agreements. Commerce and trade were completely at a standstill. Banking was paralysed. All these were the monopolies of Hindus who migrated *en bloc* to India under a set scheme to cripple the new State in its very infancy. Over nine million Indian Muslim refugees had started pouring into Pakistan. Her armed forces were in disarray. Their component units were on their way to Pakistan from various army posts scattered, some of them remotely, all over India and oversea—as many think by design. It was at this time that the fighting in Kashmir started. Even the well-wishers of the new State despaired of its survival.

The immediate problem for Pakistan was, therefore, not how best to play her role in the international field, but how to consolidate herself and overcome the colossal problems which would have staggered to their foundations even bigger and stronger countries. It is indeed a miracle of modern history and a tribute to the high patriotism of the people of Pakistan that the country successfully overcame her trials and tribulations. Once the worst was over, she looked beyond her own frontiers to foster links with the outside world and play her natural role in foreign affairs.

Pakistan was realized on the basis of Islamic ideology, and it was but natural that the cornerstone of her foreign policy should have been the promotion and strengthening of relations with and among Muslim countries

of the Middle and Far East. Apart from the deep spiritual, historical and cultural ties between her and these countries, she happens to be situated in the middle of the Muslim belt extending from Turkey to Indonesia and including Saudi Arabia, The Lebanon, Jordan, Iraq and Iran. It is true that India intervenes between the two wings of Pakistan and Burma, and Thailand between East Pakistan and Malaya and Indonesia. But the ties of religion and culture, notwithstanding superficial and apparent differences in local customs and rituals, are so strong and real that they triumph over geography and form one indivisible whole.

From its very inception, therefore, it has been Pakistan's endeavour to promote the best possible relations with Muslim countries. She has treaties of friendship and cultural agreements with Turkey, Egypt, Syria, The Lebanon, Iran, Iraq, Saudi Arabia, Yemen and Indonesia. She has sponsored and participated in international Islamic organizations and has made several modifications in her commercial policy for the purpose of promoting greater trade activity between herself and Muslim countries. She has single-mindedly, and always, championed the cause of the Muslim world. Whether it be the question of Palestine, or the disposal of Italian colonies in Africa, or the question of West Iran, or the cause of the people of Algiers, Morocco and Tunisia, Pakistan has within and without the United Nations, formally and informally, striven hard to interpret the Muslim case and create conditions for a favourable outcome. She has played such a role often to her detriment, as will be apparent by any consideration of her relations with France.

One could have expected that in playing such a rôle Pakistan should have earned the whole-hearted support and friendship of all the Muslim countries. Leaving Afghanistan strictly alone for the present, it is disappointing that this should not have been the case and that one or two Muslim countries should look askance, even suspiciously, on Pakistan's role in the Middle East, particularly after her accession to the Baghdad Pact.

In accounting for this unhappy position Pakistan cannot absolve herself of her own responsibility. She has let her case go by default by some unwise diplomatic appointments and deplorably poor publicity. It was, therefore, that much easier for interested powers to paint Pakistan as a reactionary country which, while playing second fiddle to the imperialists and helping them in keeping their stranglehold on the Middle East for their own ends, aspired to the leadership of Muslim countries. Those who conduct Pakistan's affairs were accused of sitting tight when the Hindu Congress was carrying on its struggle to oust the British from India. There could not be a greater travesty of truth. To say that it was the Hindus alone who fought for freedom will not bear examination. But men too easily and willingly believe what they wish to believe, and since Pakistan either lacked or did not properly utilize means of publicity, she suffered, even to the extent of being accused as a disruptor of Muslim unity because of her adherence to the Baghdad Pact.

A few months back the Saudi Arabian Embassy in Karachi issued a statement expressing regret that Pakistan should have strengthened its association with a country which was actively supporting the cause of "Israel".

To criticize Pakistan, even though impliedly, in a matter in which her stand is absolutely clear-cut and free from any diplomatic ambiguity, betrays an attitude of mind which is wholly negative. Pakistan has gone out of her way to respect the susceptibilities of the Arabs on this issue. Even in her Mutual Defence Agreement with the United States of America, there is a specific clause which reads: "No part of the Agreement shall be interpreted or so operate as to involve action by Pakistan which might imply recognition of the State of Israel or bring Pakistan into relationship with the State of Israel."

Perhaps no other non-Arab country has so consistently and uncompromisingly supported the Arab cause in Palestine as Pakistan. She has not recognized "Israel" and has not the slightest intention of taking such a step. She is not even prepared to consider the possibility of her mediating between the Arabs and "Israel". At the time of the writing of this article a very high and authoritative source in the Foreign Office, when approached on the subject said: "We have so identified ourselves with the Arab cause, and rightly so, that we have ourselves become a party to the case. Under the circumstances there is not the remotest possibility of our playing the role of a good Samaritan. The only way to bring about an amicable settlement of this thorny and dangerous problem is the implementation of the United Nations resolution."

### The Baghdad Pact

IT is futile and profitless to argue with those who will even now not be convinced that Pakistan's policy in the Middle East is neither subservient to the imperialists, nor can in any way be interpreted as disrupting Arab unity, and that Pakistan has joined the Baghdad Pact because she is sincerely convinced that, in the words of the Foreign Minister himself: "It merely represents an effort to strengthen and enhance the mutual defence capacity of like-minded nations in an area of the world where it is clearly needed" and that this is "a sound precaution against possible eventualities which we sincerely hope will never arise".

What, then, were the factors that led to Pakistan's accession, in the face of strong Arab opposition, to the Baghdad Pact? The question has already been partly answered, but there is also a further consideration of her own defence. For any country the foremost concern will always be the maintenance of her integrity and freedom. Pakistan is no exception. Howsoever her keenness to promote Muslim unity and her sensitivity against taking any steps that might evoke unfavourable reactions from any of the Muslim powers, she cannot afford to close her eyes to the requirements of her own defence. Flanked as she is by hostile and adventurous neighbours, she feels that her security cannot be maintained by her own limited resources and she can only seek safety by regional alliances on both flanks.

It was with this realization of her weakness as well as a realistic appraisal of the world situation and the growing Communist threat in South-East Asia and elsewhere that she joined S.E.A.T.O. in 1954. To those who were objectively observing the new trends in Pakistan's foreign policy, it must



have been clear that this was a prelude to further alliances so that the country's entire frontiers might be secured.

Before joining S.E.A.T.O., Pakistan had already concluded a pact with Turkey. About a year later this was followed by the Turkish-Iraqi Treaty of Alliance which came to be known as the Baghdad Pact. A month or two later, on April 4, 1955, the United Kingdom deposited its Instrument of Accession to the Baghdad Pact, and Pakistan received a cordial invitation from the Governments of Iraq and Turkey to adhere to the Pact.

As the eastern bastion of Middle East defence Pakistan's participation in any regional scheme to deter aggression in the area was inevitable. On July 1, 1955, the then Prime Minister of Pakistan announced: "In pursuance of our policy to strengthen Pakistan and to promote international peace through co-operation we have now decided to adhere to the Turco-Iraq Mutual Co-operation Pact." He added: "In doing so we have not only gained the firm friendship and co-operation of a new and valued ally—Iraq. We have also become a party to securing the defence and promoting the welfare of a region vital and dear to the heart of the entire world of Islam." Pakistan formally acceded to the Baghdad Pact on September 23, 1955, and was followed by Iran on November 3, 1955.

It will now be clear that Pakistan's adherence to the Baghdad Pact was a natural and logical conclusion to her vigorous and realistic foreign policy. There was nothing of haste or secrecy about it and, if certain Powers chose to sit as censors on Pakistan's conduct, she really could not care. All her international commitments are within the framework of the United Nations Charter, with the sole purpose of ensuring common defence and economic welfare. It was and continues to be her desire that the Muslim countries of the Middle East should be guided by a sense of realism in this attitude to Communist or other aggression—actual and potential—but, since that was not to be, she could not wait to take further steps merely for fear of incurring the displeasure of those who differ from her.

Pakistan's new alliances and certain developments in her internal politics have accentuated the antagonism of her two neighbours towards her. Afghanistan is bitter over the unification of West Pakistan into a single unit, and international support for Pakistan's insistence, that the Durand Line marks the frontier between her and Pakistan. They have come as massive blows to her irredentist claims to recreate the Durrani Empire of the days of Ahmad Shah Abdali. India, on the other hand, is perturbed that, owing to her new policies if Pakistan becomes stronger, she will not have the satisfaction of treating her as a "mean dependant who may be neglected with little damage and provoked with little danger".

The hostility of these two countries to Pakistan, whose creation they have not accepted without mental reservations, constitutes the gravest potential threat to peace in this part of the world. The slightest pretext starts a series of typical cold war methods. Wanton threats of aggression are held and they are generally followed by border incidents which are often on an alarming scale. The latest series of border incidents started with the S.E.A.T.O. conference, which was held in Karachi in March last. Indian troops are still



massed on Pakistan's frontiers in spite of the Pakistani Government's demand that they be withdrawn to their peace-time stations. India herself has admitted that there is no concentration of Pakistani troops on the borders.

### An Artificial Issue

THERE can hardly be a more artificially created international issue than that of Afghan claims against Pakistan. Geographical contiguity, religious and cultural affinities and over-riding economic considerations should have inclined Afghanistan to have the friendliest relations with Pakistan. Afghanistan is a land-locked country and depends entirely on Pakistan for her foreign trade. Pakistan could strangle Afghan economy by refusing transit facilities to exports and imports. But Afghanistan is so blinded by her hostility to Pakistan that she seems to be completely oblivious of realities. Recently, in addition to her most abusive and virulent propaganda against Pakistan, through her government-controlled radio and the so-called Press of Kabul, she has started infiltrating her agents into Pakistan to sabotage the country's vital lines of communications and disrupt local administrations.

The Afghan case is that with the departure of the British she is no longer bound by the 1921 treaty between her and Great Britain, which, while recognizing Afghanistan's independence, laid down the Durand Line as the frontier between British India, including the tribal areas, and Afghanistan. But Afghanistan now wants the unification of the tribal areas and what was known, before the merger of provinces into West Pakistan, as the North West Frontier Province into an independent State of "Pakhtoonistan". The Afghans try to strengthen their claim for such a State also on the basis that these areas are inhabited by Pushtu-speaking people. But since they realize that this imaginary State will not be viable without an outlet to the sea, they have invented there own Bohemia by including in it Baluchistan, Kalat and the Mekran coast, which are almost entirely non-Pathan and non-Pushtu-speaking areas.

The British Government have repeatedly declared in most unambiguous and categorical terms that Pakistan has legally inherited all that Great Britain controlled in the North West, and there is no case whatever for a "Pakhtoon" State. This is endorsed by the tribal *maliks* (chieftains) on the Pakistan side of the Durand Line right down from Gilgit to South Waziristan, and those in regular contacts with the Pathans on the "wrong" side of the Durand Line are firmly convinced that "Pakhtoonistan" is nothing more than a stunt put up by the ruling junta in Afghanistan to cover up their own shortcomings and to prevent any form of democratic claims from coming out of these Pathans' discontent.

The fact that the Government at Kabul is controlled by a few Persian-speaking families makes ludicrous Kabul's concern for the Pushtu-speaking people. But what makes it really untenable is that the Pathans inside the Durand Line have not the slightest wish to form themselves into an independent State. Pakistan's treatment of them has been extremely liberal, imaginative and tactful. She has provided them with schools and hospitals and has

thrown open new means of employment. Ambitious projects to reclaim and develop land in the tribal areas are being implemented.

Pakistan's shrewd and characteristically realistic gesture, in withdrawing her troops from the tribal territory as early as December 1947, has left a deep and abiding impression among the tribesmen, who had much resented the presence of troops in the British days. The immediate upshot of this Pakistani move was the unanimous decision of the tribesmen, arrived at through their councils, to opt for Pakistan.

It would require an extraordinary degree of credulity for anyone to imagine that the tribesmen do not know where their interests lie. But Afghan irredentism has so gripped the men at Kabul that they will willingly play into Russian hands rather than give up the mad pursuit of this figment of their imagination. They are accepting offers from Communist countries for supplies of arms and are exploring the possibilities of finding alternative supply routes. One supply line from Russia can be via the Oxus, and recently there have been several reports of a Bombay-Odessa sea link to assure regular supplies to Afghanistan.

#### Marshal Bulganin and Mr. Khrushchev

THERE is no doubt that as a result of the visit to Kabul of Marshal Bulganin and Mr. Khrushchev last December, and their inflammatory speeches against Pakistan, Afghanistan has become more adamant and has perhaps become incapable of realizing that to spite Pakistan's face she is cutting off her own nose. The dangers of such recklessness to her safety and that of the sub-continent are horribly patent, yet India, which has during the last seven or eight years found a series of historical and cultural links, both ancient and modern, with Afghanistan, continues to aid and abet her in her hostility towards Pakistan.

Indo-Pakistani relations, never really happy during all these nine years, have further worsened as a result of Mr. Nehru's discovery that Pakistan's new alignments have brought the cold war to the sub-continent. If it is true that the cold-war orbit has now extended to this part of the world, Mr. Nehru has only himself to thank. With all his pretensions to neutrality he accepted without qualification the Russian "award" of Kashmir to India, even before his own repudiation of India's solemn commitments in the United Nations on this issue. Of course it cost the Russians nothing to oblige Mr. Nehru in a matter where he is wholly governed by his emotions, but it is doubtful whether Mr. Nehru has yet realized that he has bitten off far more than he can chew.

One has not to stretch the meanings of words to realize the full import of various Russian statements during the visit of Marshal Bulganin and Mr. Khrushchev to Indian-occupied Kashmir. They questioned the partition of India. They found striking similarities between Indian-occupied Kashmir and the republics of Uzbekistan and Tazikistan. On one occasion Marshal Bulganin said to a Kashmiri Minister: "You just get up one of those mountains there and beckon or shout at us and we are there." Yet Mr. Nehru

persists in his pretensions of neutrality and points his finger at Pakistan as the guilty party in bringing the cold war to the sub-continent.

The real trouble with Mr. Nehru is that he has never relished the idea of a Pakistan strong and independent enough to follow her own policies. Nothing will please him more than to see Pakistan as India's camp-follower. And that is just what Pakistan is not prepared to be.

It is hard to imagine that Mr. Nehru really believes that in this age of the atom bomb and the jet plane the idea of neutrality is more than a phantom. What then can be his purpose in always swearing by neutrality? One has only to look at the colossal aid that he is now getting from the Western Powers and Russia. Mr. Nehru wants to ride two horses at the same time, and the amazing thing is that he has done it for so long. The façade of neutrality, painstakingly built up by formidable Indian propaganda, has paid and continues to pay handsome dividends to Mr. Nehru, and he will naturally not like any development that will not allow him to have his cake and eat it too. Hence his anger against Pakistan and his criticism of this country's foreign policy.

Whenever Mr. Nehru is displeased with Pakistan he does not hesitate to resort to pressure tactics. The Indian Press launches a barrage of violent agitation against Pakistan. There may be border incidents. The water supply from India to Pakistan diminishes and vital canals dry up. And there must inevitably be further complications in the Kashmir dispute. This is precisely what is happening now.

### India and Kashmir

**S**PEAKING in the Lok Sabha on March 29 this year, Mr. Nehru said that all talk of a plebiscite in Kashmir was completely beside the point, because during the last eight years or so a number of important developments have taken place. According to him what has completely changed the political aspect of the Kashmir question was the American aid to Pakistan and her membership of S.E.A.T.O. and the Baghdad Pact. He said there were other factors too: the economic development of Indian-occupied Kashmir and the coming into being there of the "Constituent Assembly".

Mr. Nehru's present desperate effort to find one or the other pretext to repudiate his international commitments only further emphasizes the weakness of his case. The smouldering discontent in the Valley has now flared up in a series of pro-plebiscite demonstrations. Brute and naked force, of which the most obnoxious instrument is the so-called "Peace Brigade", has failed to rally the oppressed people of Indian-occupied Kashmir to supporting the unpopular and unrepresentative Bakhshi régime. Indian overtures to Sheikh Abdullah to make his peace with the Indian Premier have failed. The deposed Premier's fault was his disillusionment on Hindu good faith and his consequent discontent with India's attitude on the Kashmiri's right to self-determination. So Mr. Nehru, his erstwhile friend, promptly put him into jail. Now having lost all hopes of winning back the allegiance of a man who could claim some support in the Valley, Mr. Nehru has come out in his true

colours and is taking cover behind arguments which his lieutenants had been advancing much earlier.

On July 8 last year the Indian Home Minister, Mr. Govind Vallabh Pant, told a Press conference: "We made certain commitments when Kashmir acceded to India, but when we made these statements circumstances were different from what they are now." He also said that the decision on accession taken by the Srinagar "Constituent Assembly" was just and irrevocable and that there was no question of Kashmir's going away from India; as to the only other way—the force of bayonets—it could not go that way either. Is it possible that in attaching such sacrosanctity to the "Constituent Assembly's" accession decision, Mr. Pant could have forgotten the assurances that India had given to the Security Council, where its spokesman said categorically that although the Srinagar "Constituent Assembly" could not be physically prevented from expressing opinion on the accession issue, its opinion would not bind the Indian Government or prejudice the position of the Security Council?

Mr. Pant is not the only responsible Indian leader to take his country's international obligations lightly. Leaving aside the Hindu Mahasabha and other Hindu extremists, the Indian Premier's right-hand man, Mr. Krishna Menon, has gone a step further. Speaking before a Washington audience he said that India never committed herself to a plebiscite through the United Nations!

The real fact is that notwithstanding her professions of championing the cause of the downtrodden, India had never any intention of allowing the people of Kashmir the right to self-determination. Hence her rejection of all proposals, suggestions and efforts to pave the way for a free and impartial plebiscite. She refused to accept the author's own interpretation of Part Two of the August 13, 1948, resolution of the U.N.C.I.P., which dealt with demilitarization preparatory to a plebiscite. Again General McNaughton's proposals on demilitarization were not accepted by India. It was also India that rejected the proposals of arbitration of the disputed issues made by the U.N.C.I.P. and backed by the Prime Minister of the United Kingdom and the President of the United States of America in a personal appeal to the Premiers of India and Pakistan. Similar was the fate of the three compromise solutions of the demilitarization issue offered by the Commonwealth Premiers in January 1951. The arbitration proposals offered by Ambassador Muniz of Brazil and later by the Security Council were rejected by India. Sir Owen Dixon and Dr. Frank P. Graham's proposals for effective demilitarization of the State in order to ensure the freedom of the plebiscite were nullified by India. And now the Pakistani Prime Minister's proposal for a no-war declaration between the two countries has been rejected by Mr. Nehru, on the ground that it also stipulates mediation or arbitration to resolve disputes between India and Pakistan in case direct negotiations between the two countries fail to lead to an agreement. The Bandung Conference, whose first anniversary was observed in India with great ostentation, specifically recommended such methods for peaceful and amicable settlements of international disputes.

The fact of the matter bluntly is that Mr. Nehru is not willing to part with Kashmir, because the possession of the disputed territory allows him a stranglehold, from which Pakistan wants to extricate herself. For Pakistan this is indeed a matter of life and death. There can be no comprehensive and satisfactory defence scheme for Pakistan without Kashmir. Furthermore, the upper reaches of the rivers on which Pakistan's agriculture depends flow through Indian-held Kashmir. Agreements may exist between the two countries for an equitable and fair distribution of water from these rivers, but their proper implementation depends on good faith and goodwill; and unfortunately neither of them is there. For more than eight years now the Kashmir issue has hung fire. All arguments, devices and expedients have been exhausted, but Indian obduracy is not yet conquered. For Pakistan there is now no other alternative but to refer it back to the Security Council, and she has already instructed her representatives at the United Nations to this effect.

Indo-Pakistani differences pose a tricky problem for the Commonwealth. There has been a persistent and widespread belief in Pakistan, which of late has further intensified, that in the Commonwealth counsels it is India alone that gets the most attention. The common man is passionately convinced of the justice of Pakistan's stand on the Kashmir issue, and cannot believe that this association of free nations can fail to devise means which will lead to a settlement of this issue. He is not concerned with the intricacies and the delicacy of diplomatic moves, and is greatly disappointed over Britain's rôle in the recent S.E.A.T.O. Conference at Karachi, and later at the Baghdad Pact Council meeting in Teheran, with regard to Kashmir. His suspicion that Britain will never displease India, no matter how just the Pakistani case may be, has been further strengthened by London reports that Britain may see eye to eye with Mr. Nehru's outrageous partition proposal as the only possible solution. Yet such a solution is quite unacceptable to Pakistan, and on this issue alone the forthcoming Commonwealth Premiers' conference will be crucial for Pakistan.

Pakistan,

May 1956.

*Some of the topics treated above will be further discussed by an Indian correspondent in the next issue of THE ROUND TABLE.—Editor.*



# LEAP YEAR IN AMERICA

## EARLY SYMPTOMS OF ELECTION FERVOR

**T**HIS is the usual one-year-in-every-four during which the United States is caught up with acute election fervor. The campaign excitement—the preoccupation with public opinion polls, State-wide “presidential preference” voting and the actual campaigning by party hopefuls—is by no means so all-absorbing to the general public as the political leaders would like to pretend. Business goes on as usual, and even in the well-fought campaign of 1952 the percentage of eligible voters who actually took the trouble to cast their ballots was just 62.7.

But the campaign is beginning to consume national time, energy and attention. The vast breadth of the United States, and the necessity that each of the great parties, Republican and Democratic, harmonize diverse sectional interests and make candidates known across a wide land, justifies to some degree the lengthy time-span between now and November. And the interest mounts as the party conventions nominate their presidential candidates in August and as the rival standard-bearers, plus an array of aspiring Senators, Representatives, State governors, legislators and local officials, all embark on voter solicitation in the brisk autumnal months.

As the campaign shapes up it would seem that, if anything in politics is certain, the re-election of President Dwight D. Eisenhower is assured. The Republicans, who had been hoping against hope that the President would make a full recovery from his illness and accept another four years in the White House, have been greatly heartened by their champion's decision to stand for re-election. With his astonishing popularity virtually intact, the President is expected to carry at least some Republican members of Congress to victory on his political coat-tails. One estimate is that the presence of Mr. Eisenhower's name on the ticket will make the difference between Republican victory and defeat in ten Senatorial contests.

Yet the Democrats are by no means abandoning the prospect of unseating Mr. Eisenhower. The Democratic Party, with its irreducible minimum of voting power in the “solid South” and its strength in the large metropolitan areas, is relying heavily this year on disenchantment with Republican farm policy in the mid-western agricultural States.

That there is unrest in the farm States is not disputed. The prices the farmers receive for wheat, corn and hogs have seriously shrunk. The Congress, controlled by Democrats, voted a complicated hodge-podge of farm aid this year in addition to the simple “soil-bank” plan—a conservation measure paying farmers for removing acreage from cultivation—which the Eisenhower Administration had requested. The President felt obliged to veto this Democratic “catch-all”, but whether his veto, widely hailed as thoroughly correct in principle, will sit sufficiently well with the farmers remains to be determined. The farmers are ready to blame someone for the



fact that their incomes have fallen while most city-dwellers have enjoyed buoyant prosperity. The Democrats, by pressing their policy of rigid price supports for farm products, are bidding higher than the Republicans for the farmers' loyalty.

What is not clear is how deep the farm disaffection has spread. The decline in farm income has been sporadic, varying from crop to crop. In the more prosperous areas there is still a firm trust that the Eisenhower Administration is doing the right thing in attacking the basic cause of the price slump, namely the mountainous crop surpluses which pile up year after year. This Secretary-of-Agriculture Ezra Taft Benson has sought to do by his proposals to divert lands from production and to lower support payments where crops are in heavy surplus. A good many farmers have not quite made up their minds yet whether to vote Republican in November or switch to the Democrats.

To Democratic hopefuls the temptation at this juncture is to think of 1948, when conditions were somewhat similar. There was discontent on the farms then too. The Democratic presidential candidate, Harry S. Truman, launched a hard-slugging campaign and won 101 "electoral" votes out of a possible 155 in the farm belt. This margin carried him to an unforeseen national victory.

### Uphill Fight for the Democrats

**I**S there prospect that the Democrats can repeat their upset of 1948? There is undeniable evidence that in State and local elections and by-elections since 1952 the Democrats have been winning a surprising number of governorships, seats in State legislatures, and mayoralty contests in towns and cities. This is a trend back to normal relations between the parties, away from the peak of Republican voting strength induced by the Eisenhower prestige in 1952.

Yet there are several factors which damp the Democratic prospects. One is of course the towering popularity of President Eisenhower, a far more substantial source of strength than anything the G.O.P. candidate, Thomas E. Dewey, possessed in 1948. This popularity seems to ride high above politics, party issues and ordinary disputations. Even some of the disaffected farmers—though not all—regard Mr. Eisenhower as the right man for the White House although they dislike his Administration's farm policy.

Of late the Democrats have sought to reduce this popular esteem by laying down a cautious barrage of criticism against Mr. Eisenhower himself. Chiefly they have concentrated on the issue of the President's health, emphasizing that Mr. Eisenhower has announced he must hereafter live a "carefully regulated life", and asking whether any White House occupant in these years of crisis can hope to avoid periods of tension and fatigue which might be dangerous for a former heart patient. Charges that Mr. Eisenhower can at best be merely a "part-time" president have been launched. But there is a real probability that, as Republicans have predicted, these charges will backfire. The G.O.P. high command is able to refute the accusations rather handily by the simple expedient of citing Mr. Eisenhower's daily appoint-

ment schedule, which shows him to be easily as busy as ever. The Republicans pronounce him a fully recovered patient.

Non-partisan officials in close touch with the President aver, in fact, that they have never seen Mr. Eisenhower displaying a keener zest for, and grasp of, the nation's problems. The medical regimen which he has accepted, which specifies one hour of exercise and rest at noontime and fewer evening social engagements, has left the President more refreshed than usual for tackling the important affairs of State, it is declared.

The President is expected to limit his campaigning—as have most second-term candidates—to a modest amount of travel or “stumping”. But this year televised electioneering comes of age in the United States, and the Republicans are prepared to spend colossal sums in presenting the President in six to a dozen major televised speeches to the nation.

If this televised campaigning costs the Republicans well over a million dollars (in time-on-the-air purchased from the networks) the answer at headquarters is that the campaign coffers are bulging and the money is available. The Democrats find themselves in a much worse plight financially. Virtually all of the “big business” contributions this year are flowing to the Republicans and the opposition party is barely solvent.

### Possible Challengers

**T**HIS, however, is nothing novel to the Democrats, and they are well aware that the party which can offer itself to the rank and file as financial underdog has a profound appeal right there. And if the Democrats cannot afford to buy so much television time from the commercial networks, they can campaign in more traditional style, traveling up and down the country and meeting the voters personally in the technique which has already chalked up an important and unexpected amount of rural support for one Democratic candidate, the redoubtable Senator Estes Kefauver of Tennessee.

While Adlai Stevenson, former Governor of Illinois and the Democratic contender against Mr. Eisenhower in 1952, began as the “front runner” or most-likely-to-succeed in the Democratic lists, he has recently been overtaken by Senator Kefauver, a lanky gentleman of “folksy” charm and a willingness to apply infinite pains and patience to shaking hands and talking with everybody and any voter anywhere.

In the early presidential preference “primaries”—by which voters in some few States are accorded the opportunity to vote their presidential preference in one party or the other—the highly articulate and witty Mr. Stevenson has not seemed to “get through” to rural voters so well as he did in 1952. He lost to Senator Kefauver in spring primaries in Minnesota and Wisconsin. Perhaps this was because the adroit Senator outbid him on farm policy and showed a greater willingness to do battle against the “moderation” of Mr. Eisenhower, whereas Mr. Stevenson is himself that *rara avis*, a Democratic “moderate”.

Later presidential primaries in California and other States may suggest that Mr. Stevenson is more popular among the more sophisticated urban voting areas. But the prospect of Messrs. Kefauver and Stevenson battling

inconclusively has burnished the hopes of several "dark horse" candidates, among them Governor Averell Harriman of New York and Senator Stuart Symington of Missouri.

As usual the Democrats, who seem somehow to enjoy the rough and tumble of politics more than do the Republicans, find themselves less well ordered at this stage, with more embattled candidates and more unresolved issues. To party militants like former President Truman, a pre-convention dose of disputation is good for the party—it puts everybody on his mettle and gets the political sleeves rolled up.

Another factor somewhat damping down Democratic prospects of overturning the Eisenhower Administration is the discovery that, according to some of the nation's best election analysts, the Republican Party is no longer a distinctly minority party in enrolled membership and general adherents. The vast influx of voters to the Democratic columns which the late President Roosevelt brought to pass in the New Deal era has now been matched by the vast movement of city dwellers to the suburbs and the vast upgrading which has taken place in the economic status of most Americans since World War II.

Both of these developments have added to the total of believers in Republican moderation and respectability. When a working-class family betters its lot and moves from the crowded tenements to the suburbs, its old-line Democratic affiliations are frequently jarred loose. It may not join the Republican ranks but its members often begin at least to vote as independents.

Similarly the general improvement in the economic status of most citizens has tended to occasion some forgetfulness concerning the old political axiom that the Democrats are the party of the "common people" and thus likely to be more generous with public funds in time of economic adversity. With little economic adversity, and most everyone in the middle class nowadays, the two parties have moved nearer to political balance in point of numbers.

This is an uneasy balance of course, and any wind of economic adversity could upset the equilibrium and add voters to the Democratic ranks—to the party traditionally more ready to unloose the federal purse-strings. Because, in part, of this uneasy balance, and because Congressional contests are decided largely on the basis of local issues and on the worth and appeal of individual candidates, there is no sure indication as yet whether the Democrats will retain control of Congress or will lose their majority in one or both Houses to the Republicans. It is too early to say much about Congress.

### The Issue of Civil Rights

A FINAL issue must now be set down as having power to do serious damage to Democratic prospects in November. This is the poignant issue of civil rights and racial tensions, brought on by the Supreme Court's courageous and historic ruling of 1954, which stated unequivocally that legislation that required the segregation of white and negro pupils in the public schools of the land was unconstitutional. The term "public schools" in the United States refers to the nation-wide system of publicly financed

lower and upper schools, maintained by counties and states with some degree of federal aid—which the vast majority of American youth attends.

The political impact of this decision on the 1956 campaign can be quickly stated. The sociological impact of drastic overturn in custom and tradition in the Deep South and near South requires a more painstaking examination.

The political impact derives from the fact that negro voters in the Northern States see a number of Democratic politicians in the South vigorously opposing the court's desegregation decision. Simultaneously they note that the Supreme Court which struck the blow for negro equality is headed by a former Republican Governor, Earl Warren of California, and that the Eisenhower Administration has acted to eliminate segregation from the federal capital, Washington, and from the armed services. Add that a Republican President has now sent to Congress proposals designed to protect the negroes' civil rights and voting rights.

All of this has induced some negroes to consider voting Republican for the first time since Franklin Roosevelt won the negro vote away from the Republicans, where it had largely lodged since the days of Abraham Lincoln. No mass disaffection of negroes is yet visible. The more prosperous middle-class negroes are the most definitely enticed; the poorer voter still sticks to the Democratic Party as likely to do more for him.

But even a modest swing could help Republicans in close State-wide races for the Senate and White House. Moreover, a modest swing could also jeopardize the Democratic control of some of the big-city political "machines", which are the bulwarks of Democratic power in the North.

This prospect of a negro-voter shift is startling enough to persuade some Northern Democrats that the party should unhesitatingly nominate for the Presidency an ardent desegregationist and former New Dealer like Governor Harriman of New York. Otherwise, they fear, negro disaffection may fatally breach the Democrats' big-city ramparts.

Meanwhile Southern Democratic leaders, alarmed at these Northern threats to nominate a stark liberal, are debating whether or not they should bolt the Democratic convention in August and set up a "Dixiecrat" presidential candidate of their own. A similar "Dixiecrat" walk-out of four States actually took place in 1948, but it failed to keep Mr. Truman from his triumph. This very fact, plus the obvious need to maintain at least a semblance of party unity to counter the Eisenhower political magic, may deter Democrats of the Deep South from bolting this year.

It is obvious, however, that the North-South split in the Democratic Party is a source of perilous potential weakness. Mr. Roosevelt bridged over the chasm in his day by finding common ground for united action. Mr. Truman went ahead to win without the Dixiecrats. What the 1956 candidate will be able to do may depend on whether or not racial tensions in the South worsen or lessen between now and November.

The American South does not of course stand in the predicament of South Africa, where the whites constitute a minority in a sea of blacks. In the lowland and coastal plains areas of the Mississippi delta, Georgia and Alabama, the negro population ranges from 40 per cent upward to an occasional 80 per

cent in certain counties, but in no State do the Negroes constitute a majority of the population. In the uplands and urbanized areas there are far fewer negroes, and in large portions of the border States and small areas of Texas there are no more negroes than there are in the North—less than 10 per cent of the population. The whites in the South are in no danger of being overwhelmed by numbers.

The nine justices who unanimously ruled that segregation in the public schools does not square with the equal rights provided under the Constitution of the United States well realized that the South would resist the decision. Yet it was felt that the time had come when the old doctrine of *Plessy v. Ferguson* (to the effect that equal rights are accorded if negroes are provided with "separate but equal" facilities) no longer applied as it did in 1896.

The court already had ruled that "separate but equal" facilities were not good enough in the case of a young negro seeking graduate instruction in the law; if he were forbidden to learn alongside white law students, a stubborn second-class stigma would be built forever into his career, it was reasoned.

It was a short but solemn step thereafter to rule that all enforced segregation was wrong. Since the great decision of 1954 the court has proceeded in other cases to inveigh against segregation in the public parks and bus transportation. The negro has won his case in the courts.

### A Changing Society

IT will not be so easy for the negro to win his case against entrenched custom and an ancient way of life which held him to be of inferior intellect and hence requiring affectionate but firm guidance, almost as a child. In the hard core of the Old South, and wherever the proportion of negroes to whites approaches equality, resistance to the court ruling has stiffened month by month. "White Citizens' Councils" have been formed to keep the negro "in his place" by means of economic boycott and intimidation. Old pre-Civil-War doctrines of nullification and interposition have been dusted off as possible "delaying actions" against the court's command that the public schools be desegregated with "all deliberate speed". The Commonwealth of Virginia, leader of the old Confederacy, has proposed that public schools be transformed into private schools and the States give tuition grants individually to pupils, a patent dodge which the Supreme Court will surely strike down.

Other nations and peoples which hailed the original Supreme Court decision have since deplored the Southern resistance and the rare occasions of mob action as at the University of Alabama, where a rabble composed largely of townfolk prevented a negro student, Miss Autherine Lucy, from enrolling in graduate classes.

What seldom appears in the news dispatches, however, is the fact that for years the South has been making quiet progress in race relations. For years substantial numbers of negroes have been admitted to, and been daily attending, graduate and professional schools in Texas and Arkansas. In Tennessee and North Carolina graduate negro students are attending in small numbers.



Public-school desegregation is well under way in near-South States like Missouri, Oklahoma and West Virginia. Texas has announced a plan for gradual compliance with the court's decree. Most of the Christian churches in the South have proclaimed segregation to be immoral.

In many Southern areas the negro is decreasing in proportion to the total population—as he moves North. Simultaneously Southern industrialization has developed new and better-paying jobs for him. His economic leverage is increasing. Wherever he is beginning to vote in substantial numbers, the politicians are beginning to talk up his rights. Economic and political determinism is coming to the aid of the nine court justices.

Deep in the heart of many Southerners is a fear that desegregation will produce a "mongrelized" race. Despite the fact that intermarriage seldom occurs in the desegregated North they fear that non-segregation will induce too intimate a contact with those who are adjudged less clean, less moral and more liable to crime. Few Southerners will argue that desegregation won't eventually come to pass. But let it be delayed, they say, until the negro has attained a new self-respect and better living standards.

The negro, through his National Association for the Advancement of Colored People, argues that the first necessary step toward this new self-respect is, plainly and simply, desegregation.

What is the likely outcome? Some Southern areas, where negroes are few, will desegregate gradually but with something approaching "deliberate speed". Some areas may essay one legal delaying tactic after another for a decade and more. The federal government will never employ troops against a recalcitrant handful of States. Nor will those States attempt to secede, although a testing time of local ranting and local violence may yet intervene.

Gradually, in the South (and in the North), whites will come to regard negroes as better than second-class citizens. Gradually the old friendship between the two races in the South will be re-established, but on a higher basis of equal regard. The processes of Christian inculcation, economic improvement and social change which have brought the negro this far will, aided by the Supreme Court decision, carry him the rest of the way to first-class citizenship.

United States of America,  
May 1956.

# AN EDITOR AND HIS TIMES

GEOFFREY DAWSON AND THE  
NATIONAL GOVERNMENT

THE uneasy conscience, whether of an individual or of a nation, usually contrives to find a scapegoat. For the young men of the nineteen-twenties "the old men", a whole vaguely conceived generation, had been responsible for the bloodbath of the First World War. For the publicists of the nineteen-fifties the natural scapegoat is the National Government which was in power from 1931 until the outbreak of the Second World War, or rather, since persons make more satisfactory scapegoats than institutions, the Government personified by the men who chiefly sustained or directed it. Against Lord Baldwin in particular the wind of obloquy set in as soon as the shooting war began in 1940, and not a few publicists who had been known to applaud the statesman and his policies during the previous decade found reason to trim their sails to it. Even Mr. G. M. Young's *Stanley Baldwin*, of 1952, although an authorized biography, was in effect, as Lord Baldwin's son has complained, largely an essay in denigration.

The essential function of the ancient scapegoat was of course to bear off into the desert the guilt of a people, and the publicists who pelt the modern scapegoat assist it to discharge this useful service by reading into the past their own supposed wisdom after the event. Thus Mr. Young reflects in 1952 that what Baldwin should have done in 1935 was to resign, and bid the startled nation arm in haste against the German menace. But in 1935 (as Lord Baldwin's son recalls)\* Mr. Young did in fact write to *The Times* that we ought "to restrain our indignation at what may be no more than the symptoms of a rapid and therefore a convulsive growth" and suspend judgment, in the hope that Germany would pass from "aggressive adolescence" to "cooperative maturity".

But Baldwin is but one of the potential scapegoats for the remorse or the frustrations of the nineteen-fifties. MacDonald and Neville Chamberlain provide obvious alternatives; and recently the publication of Sir Evelyn Wrench's biography of Geoffrey Dawson† seems to have temporarily set the hunt off on a new scent. Dawson as editor, like Baldwin in Downing Street, becomes a personification of the system which under him *The Times* is held to have maintained in power and to have done much to create. And Dawson, no less than Baldwin, becomes responsible for all the measures which the hindsight of present-day publicists contrives to see as misdemeanours. But first the character, or at least the abilities, for it would not be easy to impugn the character of Geoffrey Dawson, of the man himself must be written down. Mr. Young leaves his readers with a surprisingly vivid impression of Baldwin's feet of clay and Mr. Young was writing an authorized biography; the

\* *My Father: the True Story*, p. 349.

† *Geoffrey Dawson and Our Times*, Hutchinson, 1955.

hostile columnists who were let loose on Sir Evelyn Wrench's volume were hampered by no such limitations. They did not venture to suggest that Dawson was lazy (like Baldwin) or conceited (like MacDonald) or timid (like Neville Chamberlain); indeed epithets such as "high-minded", "self-effacing", and "hard-working" peppered their diatribes. Instead, the preliminary barrage preceding the main onslaught on Dawson's whole editorial career, and on the policies to which he lent his powerful support, tended to concentrate upon two of his limitations, or rather perhaps upon two aspects of the same imaginary defect. He lived without genuine contact, it would appear, with the changing contemporary scene, in a rarefied world—first the Milner Kindergarten and then the "Cliveden set"—of the like-minded. And he belonged to a small inner ring—never precisely defined but apparently not identical with the "Cliveden set"—which, as Sir Robert Boothby wrote in the *New Statesman*,\* "assumed, to an extent hardly reckoned at the time, control of our affairs". It may be noted in passing that this illusion of the existence at the heart of public affairs of a diminutive cabal, invisible and irresponsible yet mysteriously omnipotent, is endemic in political journalism; it has obvious analogies with the well-known beliefs that all our troubles have been due to Jews or to Freemasons or to the Protocols of the Elders of Zion, and has recently entered upon a new lease of life, with "the Establishment" substituted for the "Cliveden set".

### An Academic Onslaught

IT is worth while looking at this charge against Dawson somewhat more closely, since in a sense it underlies the whole case of those who have inveighed against Dawson's *Times* and the policy of the nineteen-thirties. Naturally each critic embroidered it at his own discretion, and it is more instructive to consider the flights of imagination not of certain writers in the yellow Press but of a professional historian and Oxford don. Writing in *The Observer*, Mr. A. J. P. Taylor asserted that Dawson "never met an original mind or read an original book": an assertion so remote from the facts about a near-contemporary (and a contemporary who was offered in turn the headship of all the educational institutions with which he had been associated, Eton, All Souls and Mr. Taylor's own College, Magdalen) that the reader is left wondering what value the judgments of some professional historians on the long dead are likely to possess. Or again, "There were no first-class brains", writes Mr. Taylor, "in Dawson's circle". It may be that Mr. Taylor attaches little or no importance to the fact that so many of the members of Dawson's two "circles", the so-called Kindergarten and the so-called Cliveden set, became Governors, Secretaries of State or Ambassadors; and it is difficult to be certain what allowance a don who writes about first-class brains is making for character, without which, as a concomitant of first-class brains, no first-class achievement is possible. But even if Mr. Taylor was thinking, as he well may have been, in terms of the narrower, academic assessments with which he must be most familiar it is strange that he should have forgotten that Amery and Dougal Malcolm both won Firsts in Honour

\* Dec. 10, 1955.

Moderations and Greats, and Malcolm the first place in the Home and Indian Civil Service examination, while John Buchan (Lord Tweedsmuir) took a First in Greats, Lord Lothian, Lord Halifax, and Lord Brand Firsts in History, and Edward Grigg (Lord Altrincham) the Gaisford Prize. Four of these seven, like Dawson himself, were elected Fellows of All Souls.

Against the background of such apparent indifference to recorded facts Mr. Taylor's psychological judgments—as that Dawson was essentially a bureaucrat, or that he “resisted generous emotions”—take on their due proportions as little more than evidence that he knew nothing of the man about whom he was writing. And it is in the light of this comprehensive ignorance and prejudice as to the protagonists of the era that the commentary on its achievements proffered by Mr. Taylor and a number of less academic scribes has to be read. Indeed, the personal element in the controversy goes deeper than any mere posthumous misrepresentations of Baldwin or Dawson. When Mr. Taylor recalls that “Lloyd George, Churchill, Birkenhead, men of impulse who held creative promise for the future”, were all excluded from power during the reign of the National Government it is a reminder that we have only to add the name of another man of impulse, Lord Beaverbrook, to complete the group of those who, according to Mr. Frank Owen,\* were already in the early nineteen-twenties “united only by their common detestation of Baldwin”.

### *The Times of 1931*

IN general the critics have had few complaints to make of Dawson and *The Times* before 1931. It is on the eight years of appeasement abroad and unemployment at home under the National Government that they have concentrated their offensive. And the basic and most comprehensive charge against the National Government would seem to be, quite simply, that it was a National Government. For this Dawson certainly had no small share of responsibility; indeed Sir Evelyn Wrench writes of his leading article of September 15, 1931 (which advocated an appeal to the country by the National Government as such), that “few leaders in *The Times* can ever have had more immediate results”. In the last analysis the case for and against the formation of a National Government must always be a question of degree. Everybody was agreed that a National Government was needed in the war crisis of 1940. An overwhelming majority of the nation held at the time that a National Government was needed in the economic crisis of 1931. It is only in recent years that the remedy has begun to seem to have been too drastic for the disease, so that there has been growing support for the thesis of the Labour Opposition of those days that, in the now curiously dated phrase, National Government was a “bankers’ ramp”—or rather perhaps, as some contemporaries would doubtless prefer to put it, a conspiracy of “the Establishment”.

Obviously it is not easy to dogmatize as to the precise degree of national peril which justifies a suspension of party politics, but when we are reminded, by present-day denigrators of the pre-war Government, of the sovereign and invariable virtue of “the cut and thrust of Party controversy” we may

\* *Tempestuous Journey*, p. 674.

recall that successive post-war party governments have been conspicuously less successful in checking inflation than was the National Government in putting an end to "the flight from the pound". One of the principal charges of today against the National Government is of course the mass unemployment of the nineteen-thirties, and one or two commentators have even contrived to suggest that, shut off in the charmed circle of All Souls, the Athenaeum and the Cliveden set, Dawson himself was scarcely aware that mass unemployment existed. A Socialist propagandist, Mr. Michael Foot, instanced\* as "the climax of the mushy-mealy-mouthed epoch in which . . . the Dawsons, the Baldwins and the rest preached the doctrine that Britain could not afford fierce political clashes" the fact that in 1940 there were just over a million unemployed; he did not add that when the National Government took over from the disintegrating Socialist administration in 1931 there were 2,806,000. And the most cursory reference to the pre-war files of *The Times* would show that its leading articles and correspondence columns alike were perpetually discussing, dissecting and prescribing for the problem of unemployment. Those who now display self-righteous indignation in respect of a National Government which during the Great Slump reduced unemployment from 21 to 8 per cent would do well to study the post-war cost-of-living index and ask themselves whether any party government today is likely to have the courage to attack the restrictive practices of trade unions. They might perhaps also ponder a recent *Punch* Cartoon, which depicted Sir Anthony Eden and Mr. Gaitskell, standing violin in hand and in Roman garb before a burning city, and each ejaculating "I can fiddle a damned sight better than you".

A final charge against the supporters of the National Government as such which has become popular today is that they kept Sir Winston Churchill in the political wilderness for eight years. But although we may be sure that posterity will agree that Sir Winston was a genius, and a very great war leader, it is by no means certain that his reputation as a peace-time Minister will stand so high. Even within these eight years, was Sir Winston wiser than the Government on India, or on the Abdication, or on the reliability of the French army?

### The Abdication

THE Abdication crisis of 1936, like unemployment, was not a natural outcome of National Government, but a problem which it chanced to encounter. Lord Hardinge of Penshurst, who was Private Secretary to King Edward at the time, has summed up the essence of the situation with complete accuracy: "The plain fact was that the peoples of the Empire, speaking through their elected representatives, were not prepared to have, either as Queen or as the King's morganatic wife, a lady who had two living divorced husbands, and that the King's resolve to raise her to the throne was certain to result in a popular explosion that would not only weaken, but in all probability destroy, the monarchy." Nevertheless, a numerically insignificant minority, of which Lord Beaverbrook and Sir Winston Churchill were conspicuous members, favoured a morganatic marriage for the King; and the

\* *Daily Herald*, Feb. 24, 1956.



publication of Sir Evelyn Wrench's biography has provided the opportunity for a good deal of retrospective misrepresentation. A writer in Lord Beaverbrook's *Sunday Express*,\* after asserting that Dawson "led the movement to oust Edward VIII", described how the "swelling flood of letters" which poured into *The Times* was "overwhelmingly until the last moments of the crisis" in favour of the King; and how from all this voluminous mail Dawson selected a letter from a Briton in America—which, being anonymous, should have been ignored—for transmission to the Palace. So far, therefore, concludes the *Sunday Express* scribe, from seeking "to guide the King along paths of caution, Dawson and Baldwin were working for his abdication from the very beginning". To which Lord Beaverbrook himself added in a broadcast that Dawson having "set out to mobilize opinion against the King in the columns of *The Times* deliberately suppressed all the letters which were in favour of him".

This tissue of inaccuracies, for which no support can be found in Sir Evelyn Wrench's biography, is as far from the truth as was the movement for a morganatic marriage from practical politics in 1936. Dawson no doubt, as was the duty of the editor of *The Times*, held decided views of his own on the moral and constitutional aspects of any proposal for "Mrs. Simpson stepping into Queen Mary's shoes", but he was left under no illusions whatever as to the opinions of the British public, here or (and this he rightly regarded as of the greatest importance) overseas. Towards the end of the crisis *The Times* published a leading article on the reactions of the public, as indicated in the letters received by the editor, and its writer has since recalled† that Dawson merely instructed him to trace the movement of opinion which they revealed. The conclusions of the article were left untouched by the editor, and at no stage were supporters of a morganatic marriage in a majority. As for the letter from "Civis Britannicus in Partibus Infidelium", it is quoted in full in Sir Evelyn Wrench's biography. It was not anonymous to Dawson. The name of the author is still preserved, in a sealed envelope, at Printing House Square.‡

### Munich

**B**UT it is the Government's foreign policy, the diplomacy which has come to be known as "appeasement", which now earns it most discredit. "Appeasement", moreover, is probably the only aspect of its policy which can be held to derive directly from the very nature of National Government itself, since it can at least be argued that Ministers whose primary objective was the temporary suspension of domestic controversy were more liable than a normal party administration to compromise and timidity in their relations with foreign powers—a thesis, however, which is rendered less convincing by the traditionally bi-partisan character of British foreign policy. There can at any rate be no doubt not only that under Dawson *The Times* consistently supported the Government, but that Dawson remained, even after the outbreak of war, convinced that the Government had been right.

\* Nov. 27, 1955.

† *The Times*, May 28, 1952.

‡ As, the Editor is informed, are all the letters, some 700 in number, on which the leading article was founded.

There was no question here of *The Times*' having merely supported the Government because it was the Government. Indeed in October 1940, after Neville Chamberlain's resignation, Dawson wrote to him:

I am an impenitent supporter of "Munich"—whatever that may mean to the people who use it as a term of reproach. No-one could have sat in this place, as I did during the autumn of '38, without realizing that a war at that time and on that issue would have bewildered and antagonized all the British Dominions and found even this country deeply divided. I have never admired anything more than your courage in averting it then—unless it be your courage in recognizing that, in spite of all your efforts, it was inevitable when it eventually came. I have no doubt at all that history will take this view.

These words are a reminder of one of a number of considerations which are apt to be forgotten today, but were constantly in Dawson's mind during the years of "appeasement". He was profoundly concerned lest the United Kingdom should find itself committed to war without the support of a united Commonwealth. That there were grounds for this anxiety up to, and even after, the Munich conference there can be no doubt; it will be remembered by how narrow a margin South Africa decided to take part in the war, even in 1939. Dawson was fully informed, too, as to the alarming military, economic and political weakness of France, in whose reliability Sir Winston Churchill and certain other convinced Francophiles persisted in believing up to and after the outbreak of war. Dawson was of course well aware also that British rearmament, which, ever since its half-apologetic re-launching in 1935, had been consistently deplored or opposed by Lord Samuel and Lord Attlee and their respective parties, had still very far to go in 1939. And he knew too that the British public, as we are apt now to forget, had long had an uneasy conscience about the Treaty of Versailles, and was prepared up to a point to acquiesce in seeing Germany tear it up.

Were Dawson and Chamberlain alive today it is possible that they would claim no more for the "policy of Munich" than that it at least postponed war until Britain was capable of defending itself against air attacks, as it was not in 1938, and until the sister nations of the Commonwealth were prepared to fight, as they were not in 1938. As to whether more than this can reasonably be claimed, it is likely that even the future historian, heir presumptive to so many insoluble problems, will only be able to guess.

## UNITED KINGDOM

### THE RUSSIAN VISIT

DURING the period under review, public opinion in Britain has been occupied in almost equal degrees by foreign and domestic politics. The visit of Mr. Bulganin and Mr. Khrushchev in April, heralded by Mr. Malenkov and his deputation of technicians, was a gala event. It had been preceded for some months by an almost steady deterioration in Britain's foreign relations: General Glubb was dismissed from Jordan, the deadlock in Cyprus ended in the arrest of Archbishop Makarios, the perennial Israeli-Arab conflict seemed at any moment likely to develop into formal and continuing war. The general, firmly fixed, but perhaps exaggerated impression that Russia was at the bottom of all these evils gave an added sense of drama to the official Soviet visits. It was as though the Devil had accepted an invitation to cocktails.

The reaction was characteristically and instructively British. Serious and open opposition to the visits was almost negligible. Some had religious scruples, but even the Duke of Norfolk, speaking for the Roman Catholic community in Britain, confined himself to the hope that in the exchange of amenities account would not altogether be lost of the persecuted Christian minority behind the Iron Curtain. The waging of a campaign against the visit was left to *Mr. Punch*, who, whatever may be thought of the form in which he expressed his discontent, would hardly have been true to his traditional vocation if he had silenced it. The populace at large greeted the Powers of Evil in a spirit of friendly curiosity and gentle irony; they did not cheer so heartily as for Marshal Tito, for the Russian leaders represented Goliath rather than David and he is the less popular with the English. Oxford undergraduates chanted "Poor old Joe", some ladies wrote to the press complaining of this discourtesy to foreign visitors, and journalists speculated on the relative news value of the Russian itinerary and the wedding of Prince Rainier of Monaco and Miss Grace Kelly. The whole tour might have been a scene from a rather banal political comedy, in which all the paradoxes of British character and society were lumped together with monotonous familiarity. The heirs to what remains of the proletarian revolution were graciously entertained by the Cabinet, most impressively in the Painted Hall at Greenwich; and also took dinner with the leaders of the Labour Party, which last occasion appears to have been the scene of an unseemly brawl which later had to be explained away. The oft-repeated request of the Russian leaders for opportunities of meeting what in the current vocabulary of revolutionary romanticism appears to be called "the population", were as fully gratified as their own passion for the company of policemen would permit, and it is not easy to form any impression of what conclusions they may have formed of the character of that population. The visit ended, as its historic character required, with a *communiqué* of unusual length, which said in essence that there were many difficulties to be overcome and reaffirmed the desire of both

parties to overcome them. Aesthetically speaking, the visit was a complete success, and this was the standard by which most people were disposed to judge it. Scepticism of the effects of any attempt to reach agreement with the Russians is clearly balanced among all parties in Britain against the now almost undisputed conviction that it is a good thing to go on making such attempts, so that the lines of negotiation may be kept open for the time when conversation may be fruitful.

### **The Defence Programme and Foreign Policy**

**C**ERTAINLY, satisfaction at the prospect of the Russian visit did nothing to reduce still further what little public interest there always is in the Government's annual review of defence. Defence, however, is not an issue by which the parties are seriously divided: the Opposition confined itself this year chiefly to complaining of delays in the execution of the Government's programme, and the Government to promising greater economy and efficiency. The Government suffered some strong criticism for its decision to develop weapons, in particular a long-range nuclear missile, which were already being developed by the United States. Excluding the assumption of a total breakdown in Anglo-American relations, duplication of this kind seems to many people to be expensive and superfluous, the more so since it is avowedly engaged in for reasons of prestige. Among informed people, debate about whether there should not be a revolution of principle in the whole direction of defence policy continues; it is closely connected with the moral question of whether it would be right for Britain to found her foreign policy exclusively on the nuclear bomb, putting herself in a position in which she would be unprepared for any but a major nuclear war, but it is one of the notable facts about public opinion on these matters today that it is almost indifferent to these large questions of principle; they are too much dependent on technical knowledge about such matters as the possibility of waging limited warfare with tactical atomic weapons to arouse much lay interest. Accordingly, they are not likely to provide material for the party fray.

On foreign policy generally, the party debate is not particularly vigorous. Particular groups inside both parties have special views on the Middle East, but Cyprus is the only issue that provides good material for party polemics. Here the Labour Party can state the traditional radical position, that if concessions are made in time there is no need for repression and that repression is itself useless unless it is accompanied by constructive proposals. By this means a familiar debate is maintained, following the well-established convention that all Britain's colonial problems should be treated as precise parallels to the American War of Independence. Even so, much more interest and indignation on the Tory side has been aroused by the Archbishop of Canterbury's protests against the Government's policy in Cyprus than by anything the Opposition have said.

### **Hanging in the Balance**

**A**NYTHING that provides relief from the perennial, monotonous discussion of national solvency is welcome in British politics, and such relief has been provided during this quarter by the approaching climax of the long-

prepared campaign on the abolition of capital punishment, which now cuts deeply across party divisions. In so far as the campaign has a leader, it is Mr. Sydney Silverman, the Labour Member for Nelson and Colne. Mr. Silverman belongs fully to the radical tradition in British politics; he is a man of causes, an excellent and popular parliamentarian, capable of that degree of concentrated effort and single-mindedness which secured the acceptance of the Plimsoll line and the enfranchisement of women. For years, Mr. Silverman has figured prominently in the macabre pageant that follows a conviction for murder and leads, according to the degree of his success, either to the gallows or to life imprisonment. Part of his technique and that of his supporters is not only to attack the death penalty but to attack every instance of its application, so that the exercise of the prerogative of mercy always becomes a subject of public discussion though not of formal parliamentary debate, which would be unconstitutional. This controversy again follows a regular pattern: every Home Secretary believes in the death penalty when in office and opposes it when out of office, and each succeeding government is afraid either to abandon it or to stake its survival on maintaining it. Accordingly, it was not surprising that when Mr. Silverman introduced another Private Member's Bill favouring abolition the Government announced that it would allow a free vote, only prohibiting Ministers from voting for the Bill. On March 12 the second reading was taken and approved by 286 to 262 votes. This was heralded by the abolitionists as a triumph, but it must be remembered that the same thing has happened before. The next line of defence of the retentionists is the committee stage, which, as the Government has undertaken to give the measure all the necessary parliamentary facilities, is now going on. So far attempts have been made to restrict the application of the Bill to certain categories of murder, leaving the death penalty for cases of deliberate and calculated murder, and to prevent its application to cases of treason. At present, those who wish to write in qualifying clauses are failing;\* the sense of the House seems to be that in matters of life and death simplicity is a merit in legislation, and that much of the strength of the abolitionist case arises from repeated expert failures to find means of making the present law tolerable without putting an intolerable burden on judges and juries.

Here, then, a heartening and rare scene is being enacted at Westminster: members are free to say what they choose, divisions are unpredictable and may even be influenced by the quality of speeches, and the result is that the immense variety of opinions of which human beings are capable and which the party system normally reduces to two are displayed. It is certainly not a clear-cut conflict between professional reformers and professional defenders of established institutions, although the Labour Party is almost unanimously in favour of abolition. Some Conservatives hold on ultimately religious grounds that the possibility of hanging the wrong person is enough to put all other arguments out of court; others feel that, although the assumption that it is always right to reduce penalties is false and dangerous, the empirical

\* On May 17 an amendment was passed to retain the death penalty for murder committed while serving a sentence of imprisonment for life.—*Editor*.



arguments for the view that hanging is not an effective deterrent have been proved. There are those who hold this last view while having the deepest possible distaste for the extravagance with which the abolitionist case has been stated and the deepest distrust for the emotions which it has aroused, and of these it has been observed that they give the impression of wanting to hang nobody but the abolitionists. Constitutionally, the controversy has all the usual by-products: there is the question settled by Burke at Bristol about whether M.P.s should vote according to their consciences or the will of their constituents; there is a much more pressing matter, suggested by precedent, of what will happen if the House of Lords following the grave counsel of its judicial members chooses to turn the Bill out. The abolitionists have clearly not yet won the day, but one strong practical argument in their favour is the time this controversy has gone on and the strong and tenacious feelings it inspires. The punishments inflicted by the State ought to have the moral approbation of the community behind them.

### The Budget

SUCH have been the distractions, grave though they are, of public opinion; the main theme remains, and since the last three months have included a budget by a new Chancellor of the Exchequer, has been particularly prominent. Britain's gold and dollar reserves fell sharply in December, but gradually Mr. Butler's measures of restraint began to tell, and Mr. Macmillan promptly added to them. A further increase in the Bank Rate, further restrictions on hire purchase, the curtailing of the bread subsidy, all prepared the way for the Budget. It was also prepared by the publication of an unusually effective popular White Paper, which explained the Government's economic policy and appealed for the public support without which it could not succeed. In all these transactions, Mr. Macmillan produced a favourable impression: some talked of him as the strong saviour who had come to substitute firmness and realism for the alleged fumbling and fatigue of his predecessor, Mr. Butler; some talked of him as a man not so much of courage as of agility who would think up some new device to rescue the country. The City expected him to produce a dramatic attack on public expenditure and some of its more sanguine members imagined that this would be accompanied by some relaxation of the restraints on private expenditure. There was much talk of relief for the hard-pressed middle classes. Some expected real deflation and an attempt to get back to reality by a short sharp dose of unemployment. So unpredictable was Mr. Macmillan, however, that some people even expected him to follow up to a point the advice of the T.U.C., which recommended a modest return to direct controls, particularly on exports. All were convinced that something new was going to happen.

As it turned out, the Budget was in essence entirely undramatic; it was all the way along the line a savings Budget, providing for the issue of new Bonds to encourage thrift, and including a decrease in Government expenditure of about £100 million without any precise indication of how it was to be brought about. Taxation was not alleviated; indeed, it was increased on profits, duty went up on tobacco though only slightly, and the only boon was a slight

increase in family allowances. It was clear, in fact, that in principle Mr. Macmillan was maintaining Mr. Butler's policy, a claim that he himself made with some vigour in the debate. That policy is based on a deliberate rejection both of the proposal to restore solvency by the use of direct controls and of the proposal to accomplish the same end by drastic disinflation at the cost of unemployment.

It consists of a combination of indirect controls, such as those of the Bank Rate and budgetary policy, with attempts to secure the voluntary restraint of wages. Its obvious weakness is the difficulty of inducing the trade unions to restrain wage demands at a time when labour is kept constantly scarce by the policy of full employment. It is easy to make an intellectually strong case for the view that this policy makes the worst of all possible worlds, that it would be more rational to have effective government control or effective free enterprise than to have any mixture of them, and economists are always putting this view eloquently today; but the essential argument for the Government's policy is that politics is a factor in economics, and that either of the extremes favoured on economic grounds would be politically and therefore economically disastrous. Mr. Macmillan, adhering to this policy, has like all his predecessors to face the fact that whereas fiscal restraints are essential they can be absolutely nullified by wage demands; he is at the mercy of public opinion; hence, his careful and admirable attempts to instruct and shape it.

It is possibly something of a personal disadvantage that so much in the way of originality has been expected of him; the circumstances do not allow it, and his policy must always be that of his predecessor. Mr. Macmillan was able to give one touch of originality, however, in the most hotly disputed item in his Budget—the plan to issue non-dividend-bearing bonds for a pound apiece and to give the incentive of £1,000 prizes to the lucky winners of a three-monthly draw. This has opened up one of the really traditional divisions in British politics, the historic debate over the ethics of gambling, to the exploration of which the English mind is passionately dedicated. The parties are in some state of confusion on the subject: the nonconformist wing of the Labour Party opposes gambling as contrary to religion, the secular-minded wing is ready to oppose the Government on all points but has no conscientious objection to gambling. The Conservative Party has its fair share of the stern Protestant influence, its quota, in the phrase that immortalizes the memory of Sir Thomas Inskip, of "Bible-thumping tommies". The Bible, as one or two diligent correspondents in *The Times* have pointed out, makes no specific mention of this issue, and theological opinions on the subject have to be derived by remote deductions from the Ten Commandments. A complicating fact is that no politician can ever say anything with impunity which might be interpreted as "meddling with the pools", an activity that is condemned by the most recent addition to the unwritten fundamental law of England. Another complicating circumstance is the fact that there is at present before Parliament a Bill to legalize charitable raffles devised largely for the benefit of the churches, so that the scruples of religious-minded people are open to the charge of hypocrisy. A further question of a

different kind is whether the prizes are large enough, or whether this is not yet another attempt at compromise which will fail. Mr. Macmillan says his measure is not a lottery; the Archbishop of Canterbury, much to the annoyance of the "cakes and ale" wing of the Church of England, now most prominently represented by Lord Hailsham, says it is. Everybody is extremely excited, but there is some scepticism about whether the bonds will be bought. However, it is nice for the Labour front benches to be able to give the Government a new motto "Honest Charlie always pays", and to ask whether school-mistresses will have to sell the bonds to their pupils and hint ominously at the prospect of mass resignations from National Savings committees. Mr. Macmillan, whose urbanity has not yet deserted him, shows no sign of being shaken. Shrewd observers of the English character like G. K. Chesterton have always realized that the only inequalities which the English do not resent are those arising from luck, and the Opposition is not therefore likely to be able to make much capital out of Mr. Macmillan's little bid for the almost impossible distinction of novelty.

Politics, the political commentators continue to complain, is at present destitute of matters of principle dividing the parties.

Great Britain,  
May 1956.

#### NORTHERN IRELAND

FOR the rebels usually to be found in the Northern Irish supplement one has this time to look to the Unionist Party, part of which has been giving the Government a drubbing as severe as it was sudden, and, in so doing, has bent if not broken the line of succession to the leadership. This at times rancorous argument has not directly threatened the position of the Prime Minister, Lord Brookeborough, but it has shaken the authority of his Cabinet and caused ruptures in the body politic that may take a long time to mend. The Government, in trying to clear some of the jungle of law on rent restriction, was rightly concerned with long-term social welfare: it erred in underestimating the mood of working-class tenants faced with a rise in their household budgets. In this the Minister of Health and Local Government, Dame Dehra Parker, an able though somewhat aloof reformer, neglected to prepare public opinion by means of a Select Committee or White Paper. That the rents of the great majority of houses bear little relationship to the changes in earnings and the value of money that have taken place since 1914 is perhaps only a detail of the inflationary process; what has been less readily recognized is the fact that unless more is spent on repairs the stock of existing houses must decline faster than new ones can be built. But tenants in industrial Belfast, many of them living in houses dating from the last century, soon showed that they had no faith in the willingness of landlords to apply larger incomes to further maintenance, and the protests were loudest from those who have themselves had to take over responsibility for upkeep.

Dame Dehra Parker's measure, the Housing and Rent Restriction (Amend-

ment) Bill, had three main purposes. As the last major advance in her highly successful housing policy it incorporated an overdue slum clearance programme, subsidies for the modernization of existing property, and a progressive decontrol of houses covered by rent restriction, as well as increases in rent varying from 50 to 75 per cent according to valuation. In going so far she was influenced by the easy passage of her 1951 Act which effected smaller rent increases, and politically by the fact that the Government is in mid-term and could hope to regain any loss of popularity before the general election in 1959. She may also have been encouraged by even bolder steps taken in Great Britain to put rents on a more economic level. Yet despite its merits the Bill failed to allow for the way rent-restricted tenants are entrenched and the bitterness with which so many regard landlords and their agents, a survival perhaps of the agrarianism of the Irish past. Nor was the Minister ready for the furious championing of their constituents' cause by some twelve Unionist M.P.s led by the Attorney General, Mr. Edmond Warnock, whose open disagreement with Dame Dehra Parker was to cause the Prime Minister to ask for his resignation.

The Government was in retreat even before this point was reached. In meetings with her opponents the Minister of Health was compelled to reduce rent increases to 33½ per cent, conditional on proof of expenditure on repairs over a three-year period, and to exempt many houses from decontrol. Even with these concessions the second-reading debate proved to be the most disorderly rebellion that Lord Brookeborough and his colleagues have had to meet, and the "Noes" included six of his supporters, the largest number to disobey the Whip since he became Prime Minister. Moreover the Bill, with the Committee stage still to be fought, is now considered to have lost most of its power to induce owners of property to invest more money in repairs or improvements and so prolong the life of houses that must be required for at least another fifty years. It is evident that the country has still to pay the price of its oft-repeated failure to keep the Rent Restriction code up to date. Already the Government and local authorities have had to assume almost the whole burden of house-building for letting, a field now deserted by private investors. The Ulsterman's home remains his castle, even when it is someone else's property and he pays a rent that brings in an annual loss to the owner.

The political consequences of the Housing Bill give as much cause for concern as the social. Mr. Warnock, although of Lord Brookeborough's age, has been generally regarded as one who could form a government in an emergency: now only a party upheaval can restore him to power. His vacant office, too, has been filled by the transfer of Mr. W. B. Maginness from the Ministry of Finance, and the exit from the Cabinet of this most intellectual and liberal of Unionist minds. It is probably true that Mr. Maginness could not have commanded enough popular support from the Parliamentary Party to raise him to the Premiership on Lord Brookeborough's departure, yet the interests of good government can ill afford his decision to return to the law. Mr. G. B. Hanna, the new Minister of Finance, is also a Queen's Counsel and for reasons of health and personal preference is thought not to have

further political ambition. In this event the mantle of Carson and Craigavon may have to fall on Lord Glentoran, Minister of Commerce, who at 44 has still to prove his ability to control the many diverse elements that make up the Unionist Party. It is a situation foreseen since the death by drowning in 1953 of Major J. Maynard Sinclair, and contributed to by the lack of men and women of stature in the House of Commons and the over-dependence of the Cabinet on members of the Bar. In this respect the Unionist Party, for all its wide representation of Ulster life, has not lived up to the unique opportunities for public service offered by possession of a provincial Parliament.

The result of the by-election in Mid-Ulster on May 8th was a disappointment to all in Ireland who are faithful to democratic processes. The belated reappearance of the constitutional Nationalist candidate, Mr. Michael O'Neill\* proved disastrous. He not only forfeited his deposit, but incurred much odium by dividing the anti-Partition strength and allowing an unofficial Unionist, Mr. George Forrest, to become the undisputed member for the constituency. The preponderance of votes for the Sinn Féin candidate, Mr. Thomas Mitchell—he polled 24,124 against Mr. O'Neill's 6,421—is undeniably disturbing, and an unexpected affront to the leaders of the Roman Catholic Church and the political parties in the Irish Republic who have been resisting the cult of violence preached by the resurgent republican movement. In this sense Mid-Ulster must be regarded as an open challenge to the legality of both Irish Governments and as an incitement to the secret controllers of the Irish Republican Army to renew their attacks on Northern Ireland.

But to some extent this hill country is a law unto itself. In addition to its traditional rebel sympathies it is a border area where most people of Irish sentiment are first concerned with defeating any Unionist in the field. Consequently, many of those who voted for Mr. Mitchell might in a straight fight between the Anti-Partition Party and Sinn Féin have preferred to vote for Mr. O'Neill. Mr. Forrest's intervention, made after the Unionist Party proper had decided not to contest the election, was a piece of opportunism, although he was correct in believing that he could obtain all the votes necessary to win. Those who would have wished the Anti-Partition Party to have the fullest opportunity to re-establish its authority have been left to regret the Unionist enthusiasm. But the fact remains—and Mid-Ulster serves to emphasize it—that the Anti-Partition Party as at present constituted commands no confidence in any quarter. Since the first days of the Northern Ireland Parliament, Nationalism has been torn between democrats and rebels, attenders and abstainers. Today it is a party indifferently led, poorly organized and without a policy that promises any early reward for its supporters. In Belfast and the eastern counties the anti-Partition minority is apathetic: in the west a less well-doing people, with a lower standard of living, looks for a more aggressive political force and finds it in Sinn Féin, a revolutionary conspiracy whose Southern Irish leaders arbitrarily nominate candidates while concealing their own identities. Yet the great majority of Nationalists in Northern Ireland cannot be said to countenance violence as a means of

\* THE ROUND TABLE, No. 182, March 1956, p. 164.



ending Partition. They recognize that Ireland can only be made one by agreement and that this is still afar off. What is of more immediate concern to Ulster as a whole is when these will shake off their frustration and send to the House of Commons a party capable of representing the minority opinion that so often goes by default. Nationalism can far better be served this way than by violent demonstrations against the border and the law which can only lead to civil strife and impede the steady march of social improvement.

Northern Ireland,  
May 1956.

# IRELAND

## GRAVE ECONOMIC PROBLEMS

THE year 1956 has started badly for our politicians. Once more a relentless economic searchlight has revealed the disastrous results of their policies, and the fatuity of their theories. The more extreme among them have for years demanded the repatriation of our sterling assets, asserting that they could be better employed in Ireland, while they have all loudly proclaimed that we should aim at becoming a self-contained, independent, economic unit. These aims, vehemently stated but seldom followed, have now been proved absurd. The crisis foreseen by informed observers has arrived and Nemesis has overtaken our tendentious theorists.\* We are painfully discovering that we are no more immune from the effects of profligacy and mismanagement than are our neighbours, and have also begun to realize that without external assets to draw on we should now be in a sorry plight.

### The Balance of Payments Deficit

THE first official admission that all was not well came from Mr. Sweetman, the Minister for Finance, on January 18, when he admitted that there had been a considerable widening of the gap between external payments and receipts, and that it looked as if the deficit in the balance of payments for 1955 would be in the region of £30 million. Figures since published show that the deficit, after allowing for all "invisible" payments, amounts to £35½ million, or £30 million more than the deficit in 1954. Such a deficit is of course far more serious in relation to our small economy than the similar deficit of £100 million in Great Britain. The only estimates that have been made concerning the size of our external assets are gross and do not take into account our growing external liabilities. On that basis they are probably anywhere between £300 and £400 million. Mr. Sweetman went on to point out that prolonged continuance of the present extravagant scale of spending would be seriously harmful to our economic and social interests. This warning was subsequently reinforced by Mr. Costello, the Prime Minister, in a speech at Cork on January 25. The disquieting features of 1955 were, he said, the failure of income to increase in real terms, the rise in the volume of consumption, the fall in savings, and the consequent increase in the external deficit. He announced that the "fifth round" of wage increases would amount to £20 million in a full year, and that it had not been accompanied by any general increase in output sufficient to absorb the additional cost. He appealed for mutual co-operation between worker and employer "to increase output and to enable a real increase in workers' living standards to be achieved without a corresponding rise in prices". In fact between 1938 and 1954 wages, both industrial and agricultural, have risen more than prices, and the fifth round of wage increases had, therefore, no real justification.† As a result of these increases the wage-earners are now better off by some 25 per cent. than

\* See THE ROUND TABLE, No. 182, Mar. 1956, p. 172.

† Earnings of industrial workers increased in this period by 157 per cent and of agricultural workers by 214 per cent, while retail prices only increased by 132 per cent.

in 1938. Yet the cry is for further increases and the Employers' Federation is at present negotiating with the representatives of the trade unions in order to try and find a rational basis for a permanent wage policy. The warnings of Mr. Costello and Mr. Sweetman were later supported by Mr. J. J. McElligott, the Governor of the Central Bank, who is an independent and informed retired civil servant. He pointed out that we were living beyond our means and that if the rate of growth in real production—in which we had failed conspicuously last year—was not increased substantially the result would sooner or later appear in declining employment and a lower standard of living. The indications were, he said, that further balance-of-payments deficits might result in a direct drain on the gross assets held abroad, while the annual external account would also have to bear the growing burden of interest and of capital repayments in respect of past external borrowings. He pointed out that even the strongest and healthiest economy required external reserves to tide it over temporary set-backs. The need for such reserves was all the greater here in view of the dependence of our internal economic activity upon adequate supplies of essential imports and of our external liabilities. Although our troubles were part of a broad inflationary movement it was important to remember that in Britain and elsewhere such problems generally resulted from over-full employment, due to excessive investment activity. Our troubles on the other hand flowed not from excessive investment, but from excessive use of resources for current consumption. Last year the volume of imports had risen by 9 per cent while exports had fallen by 7 per cent and total production had remained static. According to available information there was very little to show by way of physical capital formation or increased stocks in return for the marked rise in total resources used during 1955, the bulk of which came from abroad. There had been an appreciable increase in money incomes although real production had not risen, but current savings had suffered a heavy decline. Moreover there had been a considerable expansion in consumer credit by way of hire purchase and all other forms of deferred payment. "We have in other words", declared Mr. McElligott, "increased the pace of living beyond our means. In Great Britain and other West European economies the present inflationary set-backs are said to have resulted from high blood pressure. Ours resembles more a case of anaemia caused by undue loss of blood, amounting to £200 million during a period of nine years of external payments deficits." The latest Trade Statistics show a static domestic output, only a marginal increase in investment, a fall in savings (notably in bank deposits) and a rise in earnings. We can doubtless console ourselves with Mr. Costello's assurance that we are facing a "problem" and not a "crisis"!

#### Political Excursions

UNDETERRED by these events Mr. Norton, the Minister for Industry and Commerce, spent four weeks during January and February touring the United States. The declared reason for this excursion was to enlist the support of American industrialists for Irish industrial development (in which he urged them to invest not only money but technical aid); to promote our

tourist industry; and to advertise our exports. He pointed out that Ireland offered them an intelligent and adaptable labour supply, an advantageous position for international trade (particularly with the British Commonwealth), generous tax and import regulations designed to stimulate industry, easy conversion of earnings into dollars and stable political and economic conditions. He omitted, however, to state that no manufacturing process can be carried on here by a foreign-controlled concern except under a special licence, which heretofore has been seldom granted and in justice to existing manufacturers cannot now be waived. Having regard to the fact that existing motor-car factories (which are really assembly plants) are more than sufficient for our needs, it seems odd that he should have asked American car manufacturers to open factories here. So far as is known his mission has had no tangible result. No sooner had Mr. Norton returned than Mr. Costello in turn flew to the United States to attend the St. Patrick's Day celebrations and deliver some university lectures. He enjoyed the traditional American courtesies offered to visiting Prime Ministers (more especially to an Irish Prime Minister in an election year), addressed both Houses of Congress, received several university degrees and "standing ovations", lunched with the President, reviewed the New York St. Patrick's Day Parade, and addressed the National Press Club in Washington. He told the latter gathering the now too familiar tale that Ireland could not join N.A.T.O. because of Partition, thus admitting that this purely domestic problem apparently prevents us from having any foreign policy at all. On another occasion he did, however, admit that the reunification of Ireland could *only* be achieved "by patient effort, mutual cooperation, tolerance and goodwill" (presumably in Ireland) and that "we are not neutral in the war of ideas in spite of our military neutrality". Ireland, he said, would take a militantly anti-Communist stand in the United Nations, to which we have at long last secured admission. It is not yet realized here that under the Charter members of the U.N. are obliged to provide military assistance to that organization when called upon to do so. The refusal of Mr. Costello's Government to make any contribution to Western security provides an odd comment on the value which it attaches to world peace, which he said "was for Ireland a paramount national interest greater than any other, greater even than the remedying of deep felt national wrongs". These various contradictory declarations are symptomatic of our rulers' mental confusion.

On the domestic front the only event of importance has been a by-election in North Kerry, where the Inter-party candidate, a young lady of 21, was elected as a member of Mr. Sean MacBride's infinitesimal Clann na Poblachta Party for the characteristically Irish reason that she was the daughter of the late deputy. Irish parliamentary succession, even in the female line, is rapidly becoming a hereditary right. The state of the parties remains unchanged. Two more by-elections are pending, in which the sons of the late deputies who are candidates will doubtless be elected. During the Kerry campaign Mr. de Valera made the pregnant statement that Mr. Costello's Republic Act had condemned the nation to march the rest of the way towards the goal of a united Ireland with its shoes on before its socks.

The unfortunate fact, which our politicians seem incapable of facing, is that for the last twenty years we have been steadily falling behind in the economic race. War-ravaged Europe has increased its agricultural output by 30 per cent over pre-war figures; our increase is only 13 per cent—the lowest of any O.E.E.C. country. This is the real cause of our unemployment, our balance-of-payments deficit, our lack of savings, the flight from the land and much else. We have lost our export market in butter and pigs, and almost lost it in eggs, poultry and bacon. The new chocolate-crumbs and dead-meat industries are in a parlous state. Only the live-cattle trade remains substantial. But we are losing ground even in this fertile field, for exports of cattle and dead meat have fallen by £3½ million in the first two months of 1956 as compared with the same period last year, thus further increasing the adverse trade balance.

### Agricultural Output

THE real cause of this serious situation as regards our agricultural output is lack of scientific knowledge and training. It has recently been disclosed that we are losing some £30 million a year in livestock and livestock products through lack of veterinary information and research. Yet no effective steps have yet been taken to establish the Agricultural Institute for which the American Government generously provided the funds over two years ago. In March 18,000 dairy farmers marched through the streets of Dublin as a protest against the delay of several years which has taken place in the publication of the Milk Costing Commission's report. The farmers are demanding an immediate increase of 3d. a gallon in the price of milk. Creamery butter is already subsidized for the benefit of the consumer to the extent of 5d. a pound, which costs the taxpayer a pretty penny. To grant a further subsidy amounting in effect to 7d. would increase the subsidy to 1s. a pound. To abolish the subsidy and permit the price of milk to rise by 3d. a gallon would banish butter from the tables of a large part of the population. Who is to bear the burden, the taxpayer or the consumer? This is a "problem" which the Government are naturally not anxious to face. They have just set up another committee to investigate the production, distribution and selling costs of flour and bread and to recommend such changes as may be considered necessary in the present system of control. The Irish Trade Union Congress has called for the nationalization of the flour-milling industry, and the official organ of the Labour Party has urged Labour deputies to demand that "this vital industry should come under public ownership". Should this demand be pressed the position of Labour Party Ministers, prominent amongst whom is Mr. Norton, Minister for Industry and Commerce and leader of the Labour Party, would become very difficult. The solution of our economic problems is only to be found in the development of agriculture, our basic industry which has been so shamefully neglected. What the Irish farmer needs is an opportunity to expand his traditional knowledge with the aid of modern methods and research. Young men who want to make their living on the land should be given the opportunity to do so. The rural community should be taught to believe in itself and to realize its importance in



the national economy. Its social and cultural life should be developed and improved. These are the things our successful rivals Denmark and Holland have done. If we are to preserve our heritage we must follow in their footsteps and profit by their example.

### The Communist Menace

CONSIDERABLE interest has been aroused by the recent statement of Cardinal D'Alton, the Roman Catholic Primate, that Communist agents are active in Ireland and that some Catholics are ready to support the Communist Party. Such a warning is naturally treated seriously and people are asking how grave this threat really is. That there have been previous unsuccessful attempts to propagate Communism here is well known. As long ago as 1928 an Irish section was formed of the Anti-Imperialist League, which was directed and financed by the Communist International. In 1931 another Communist-controlled organization was formed called Saor Eire (Save Ireland), which was a direct development of the European Peasant Committee movement, also launched by the Communist International. This body was formally condemned by the Irish Roman Catholic Hierarchy in October 1931 on the grounds that it was Communistic in origin and principle. These exotic organizations failed to take root in Irish soil, and, so far as the Irish Republic is concerned, there is now no public organization identified with Communism in existence. While isolated Communists and "fellow travellers" are probably to be found in some of our trade-union organizations, there is no evidence that they exercise any control over policy. The real danger, with which no doubt Cardinal D'Alton was primarily and rightly concerned, is to be found in Great Britain, where recent Irish immigrants have shown a marked irreligious and anti-clerical bias and are thus a fertile field for Communist propaganda.\* Some of these immigrants have already returned to Ireland and have displayed a manifest tendency to engage in disruptive activities. Should there be a slump in Great Britain, followed by a considerable return of these people to Ireland, the danger that Communism might be fostered here would be very real. According to Mr. Douglas Hyde (a former editor of the Communist *Daily Worker*, but now a convert to Catholicism) a conference of Communist experts specially detailed to subvert the Irish in Great Britain was recently held to prepare for such an eventuality. The Connolly Association in Great Britain, to which Cardinal D'Alton specifically referred in his pastoral, is a "fellow traveller" organization that publishes a specious propaganda sheet directed to Irish immigrants. It is called the *Irish Democrat* and cleverly attempts to use the anti-partition agitation for Communist ends. The Irish in Britain are therefore the real cause of Cardinal D'Alton's anxiety. Communism is knocking on our door. That Ireland can remain neutral and remote in a crisis that affects the future of European civilization is an impossible dream.

Ireland,

May 1956.

\* See THE ROUND TABLE, No. 180, Sept. 1955, p. 379.

# INDIA

## LOOSE TALK OF CRISIS

THERE has been so much talk, in recent months and in high places, of a serious deterioration in Indo-British relations that a closer look at the thesis may not be amiss, particularly since Mr. Nehru will shortly be in London for yet another conference of Commonwealth Prime Ministers. First, Mrs. Vijayalaxmi Pandit, Indian High Commissioner in the United Kingdom, spoke of a worsening of Indo-British relations. By the time her opposite number in Delhi, Mr. Malcolm Macdonald, spoke on the subject—only a few hours later—the relations between the two countries had reached, in his words, “a critical period”. Several political commentators in the Indian capital took up the cue and began to write in anxious terms. All this may have been justified by that elusive thing, “inside information”, but there was singularly little evidence to be seen, or sensed, outside the chancelleries. It is not known that, all through the crisis, a single Indian declined an invitation to a British cocktail party or vice versa, and it has not been reported that a single business transaction between Indians and Britons was delayed by so much as a moment because of the crisis. Indeed, as a correspondent put it recently, “Never have Indians been more agreeable than they are today to the Englishmen in their midst”. Even those who know that Indo-British relations are mature enough to survive the strain of open discussions of differences, and almost appreciate the present U.K. High Commissioner’s somewhat unorthodox phrasing of diplomatic pronouncements, began to wonder whether a crisis was not being talked into existence. In a subsequent speech in Madras on April 17, Mr. Macdonald took note of the criticism and went to what seemed to many the other extreme when he said, “In many ways the British and the Indian peoples are extraordinarily alike. . . . The two nations are natural friends and partners in world affairs.”

The friendship is a matter of fact, not of opinion, but there have been useful reminders lately, first, that there is nothing very natural about the friendship, which, as Dr. Johnson said, must be kept under constant repair, and secondly, that the partnership in world affairs is not such a going concern as it once appeared to be, for each is openly seeking new, sometimes contrary, lines of business which the other does not approve. It is not true that a fresh crop of differences has arisen on a sudden to bedevil Indo-British relations; truer it is that India’s approach to several international problems has always been different from Britain’s—and it could not be otherwise, for one has not the same stake, nor the same responsibility, as the other. The differences now seen are the inevitable result of that inherent difference. In spite of the mildish shock the revelations may have caused in some quarters, it may be no bad thing that there is now greater realization in India, perhaps in Britain too, that there are important matters of foreign policy on which the two countries must agree to differ and still remain friends. To put

it differently, there is a point beyond which a country with still considerable interests oversea cannot travel with another with none. Fortunately, that point does not have to be reached every day.

Mr. Selwyn Lloyd, who visited the Indian capital before going to Karachi for a conference of the SEATO countries, was not less polite to Mr. Nehru than any Labour Foreign Secretary would have been, but the discussions may well have been franker; spades may have been called spades more than once. Mr. Dulles, who called later, may have given the tool an even more frightening name. It was typical of the Indian Press that it held M. Pineau the most popular visiting Foreign Minister. The less power a country has, the more popular its Foreign Minister will be in India, for the illusion persists here that power as a factor in international affairs can be eliminated—if only the wicked great Powers will learn to be good, as India is *ex hypothesi*. There have recently been reasons to think that the talks Mr. Nehru had with the three Western Foreign Ministers were perhaps highly instructive; a measure of realism is discernible in several of his recent speeches; it is even possible to see *realpolitik* in his latest statement on Kashmir.

SEATO and the Baghdad Pact, to both of which Britain is a signatory, remain Mr. Nehru's pet aversions; but it is now understood in India that the West is determined to go ahead with them, Indian objections notwithstanding. The way the SEATO countries incurred Mr. Nehru's wrath by mentioning Kashmir in the final *communiqué* brought home the realization that, in spite of the Indian Prime Minister's truly great prestige in the world, certain things were bound to happen even without his approval. It is now appreciated, without pleasure but with good sense, that military alliances are considered necessary by some countries, and the aim should now be to ensure that they are not turned against India. Military alliances are still criticized in India, but less because they are violations of some international morality and more because they constitute a threat to India's neutrality. India is now openly considered as a factor in shaping India's foreign policy, and the consequent clarity in discussion is already making it easier for the outside world to appreciate India's stand on various issues.

Even in Europe, notably in France, there are many critics of military pacts. It is outside the purview of this letter to discuss their usefulness or the reverse, but critics in India are naturally happy to see that the pacts are not such obvious successes as Mr. Dulles would have his people believe. Indian hostility to SEATO and the Baghdad Pact has increased since the two bodies made a reference, however non-committal, to Kashmir. It is being asked in India whether either alliance has been strengthened by the reference, whether even Pakistan has gained anything. Except in a small section, there was an attempt in India to play down Messrs. Khrushchev and Bulganin's support to India on the Kashmir question, but after the West's interference in the matter (and so it is regarded here) there is a natural tendency to turn Russian support to advantage; and whatever else all this may achieve, it certainly does not bring a solution of the Kashmir problem nearer. For Britain there is yet another point to consider. While in Delhi, Mr. Selwyn Lloyd made a clear statement that in his opinion Kashmir was not a fit subject for discussion

by SEATO. It was only to be expected that the Karachi *communiqué* would be followed by a reassessment of British influence in these military alliances, and the findings were not in favour of Britain. The United States too will do well to rethink whether blows to British prestige in the East are not blows to the whole Western alliance in the area. There has been no unseemly gloating over Britain's loss of face, but the summary abandonment of a promise by the British Foreign Secretary can scarcely have gone unnoticed in Delhi.

Paradoxical though it is, India's review of British influence in world affairs has been accompanied by genuine sympathy for Britain; under Mr. Nehru's foreign policy India is naturally attracted towards countries whose power and influence are not decisive, for in weakness India now sees all virtue and in power all evil. To forget this basic fact is to risk seeing in Indo-British relations the seeds of a crisis which may not be there. By the time the Commonwealth Prime Ministers meet in London, the initial pain caused by SEATO's reference to Kashmir will have lost its edge, and it will be most surprising if Mr. Nehru is not found more at home even with Pakistanis and South Africans than with ingratiating guests from the Communist countries.

### A New Realism

AS proof of a new realism in India's approach to foreign affairs can be cited Mr. Nehru's open acknowledgement that he accepted, though with justified reservations, Western assurances that aid to Pakistan was not for use against India. Then there is his acceptance of the invitation to go to Washington to see President Eisenhower, where presumably India will try to acquaint the President with her very real fears that, whatever the patrons may have in mind, the beneficiary, Pakistan, still regards India as the chief enemy—all that talk about anti-Communism being so much hypocritical nonsense. Indian efforts will be directed to persuading American opinion that even if the military alliances in general and military aid to Pakistan in particular did not constitute a threat to the security of India, the effects of an arms race between the two countries—and this is a kind of race which has only to be started by one to be joined by the other—on the Indian economy would be disastrous. And this is no exaggeration. No decision has yet been taken to reduce the size of the second Five-Year Plan so as to spend more on defence, but the country is obviously being prepared for the possibility. Nor is it unduly difficult to make the Indian public believe the worst about Pakistani intentions; one has only to quote Karachi newspapers and certain other irresponsible spokesmen.

Whatever may be the American reaction to Indian pleadings in Washington early in July, Mr. Nehru's opposition to military pacts may in the long run have a salutary effect internally. Of all the forces that forge a nation out of various and conflicting elements, the most potent perhaps is the fear of external aggression. It would be quite unlike Mr. Nehru to work up an agitation against military *blocs* with that specific purpose consciously in view, but it may not be without significance that he has recently been speaking as often about internal disunity as about external dangers. More than once he has

said that the former he fears more than the latter. His disquiet is understandable, for the forces unleashed by the continuing debate on State reorganization are yet to be tamed. In the first week of May there are about ten thousand people in jail for having offered *satyagraha* against the unpopular scheme for a merger of West Bengal and Bihar, and the Prime Minister has on his hands his Finance Minister's letter of resignation; the gentleman concerned is a Maharashtrian and wants Bombay to be included in the Maharashtra State. It is to be hoped that Mr. Nehru's fears of aggression by Pakistan will prove to be exaggerated; it is equally to be hoped that his tireless iteration of the danger will not be without some beneficial effect in terms of Indian unity.

For opinion abroad, however, perhaps the most significant event of the quarter under review was the Indian Prime Minister's announcement that over a year ago he had offered to come to terms with Pakistan on the basis of the present cease-fire line. Although discussed in private often enough, this had never been revealed before. Pakistan has rejected the offer with contempt, and reaction in India has not been wholly favourable either. On the other hand, world opinion may see in Mr. Nehru's offer further evidence of his new realism. Extremists on both sides of the border apart, nobody can seriously believe that India can occupy Pakistani-held Kashmir any more than Pakistan can hope to secure the Indian-held part of the State. It is not impossible that India's move was shrewd, for if India has so long been blamed for keeping the Kashmir question alive, it may now be Pakistan's turn to be asked why the offer of a compromise is being rejected out of hand. To anyone living in India it is clear that the Government would really like to get on with the second Plan and forget all else.

India,

May 1956.



# PAKISTAN

## THE CONSTITUTION COMPLETED

AT 11.58 p.m. on February 29, 1956, the Constituent Assembly of Pakistan fulfilled its great task of providing a Constitution for the country. Twenty-three days later Pakistan was proclaimed an Islamic Republic amid scenes of wild enthusiasm and unprecedented national rejoicings. The choice of March 23 was singularly felicitous, for it was on this date sixteen years ago that the All India Muslim League, at its session at Lahore, passed the famous Pakistan resolution. The new Islamic Republic retains its ties with the British Commonwealth, although the link with the Crown has been severed and the "Royal" has passed without demonstration from the names and insignia of the armed forces.

As one takes a look back and surveys the 8½ years of bitter and dangerous constitutional struggle, one cannot but be struck at once by the miracle that has happened. For more than seven years the first Constituent Assembly carried on its futile proceedings; and just at the time when it had seemed that it would be able to give a Constitution to the country, it was wiped off the scene. As the present Constituent Assembly, after a period of comparatively slow progress, got on to a great spurt of activity, hopes and fears rose at once. Would it be that the Constituent Assembly would do its job, or would it go the way of its predecessor? As it approached nearer and nearer its objective, fears worsened. Opinion among its members on vital issues, particularly the issue of joint or separate electorates, had become sharply divided.

The question of the electorates is of very great significance to Pakistan, particularly when it is borne in mind that Pakistan came into being because the Muslims of the sub-continent wanted a homeland for themselves where they could shape their lives in accordance with Islamic tenets. If, therefore, joint electorates are conceded and Hindus are allowed to vote for Muslims and *vice versa*, it will vitally change the basic conception of Pakistan. No attempt is being made in this article to find out whether in the long run it will be for the good of the country. What, however, remains to be emphasized is that it is not a matter that can in any way be hurriedly decided. So, when efforts were made by the Premier and his colleagues to postpone an immediate consideration on this issue and leave to the provincial assemblies the final decision, which will be incorporated in the Constitution, there was a storm of protest from the non-Muslims.

Although only nine in number, the non-Muslim members in the Constituent Assembly were in a position to tilt the balance dangerously between the Government and the Opposition. And if certain Muslim members from amongst the Coalition Party itself, who sincerely believed in joint electorates, were to side with the non-Muslims, they in conjunction with the Awami League could have overthrown the present Muslim-League-United-Front coalition government at the centre. In that event the fate of the United

Front Ministry in East Pakistan would also have been sealed, because the non-Muslims with a strength of more than seventy in the provincial assembly enjoy a similar position of advantage. Added to all these intricacies the time factor was another complication. The Constitution had to be passed in February, because in March the Assembly was to meet as the country's legislature to pass the budget and attend to other legislative business.

It was a forbidding situation. The various groups within and without the Coalition Party had an inflexible attitude of mind on constitutional matters, and the slightest mishandling of the delicate electorate issue could have spelt disaster for the country. It was at this time that Pakistan's leadership really and effectively rose to the occasion. While many played their part well and in the best interests of the country, the Prime Minister, Mr. Mohammad Ali, put the ship of State on an even keel and firm course with, as it were, the steadying strong hand of the Governor General, Mr. Iskander Mirza, at the helm. In the face of the worst provocations and serious difficulties Mr. Ali showed extraordinary patience, tact and firmness and ultimately managed to postpone the consideration of the issue and thus clear a hurdle which had blocked progress in Constitution-making.

The Constitution is not an end in itself. Its enactment, however, closes a long period of mutual bickerings, suspicions and jealousies and ushers in an era of construction and consolidation. What happens between now and the general election, which should not be far off, will be of vital and crucial importance not only for the country but for the sub-continent itself.

Just now attention is focused on political developments in West Pakistan, where on April 23 the Chief Minister, Dr. Khan Sahib, announced the formation of the Republic Party. This step on the part of Dr. Khan is a direct consequence of the Muslim League's insistence on having none other than a Muslim Leaguer as the Chief Minister of the province.

The League case is rather weak, inasmuch as the League did not participate in the elections to the West Pakistan Assembly, which were held in January last. With Sardar Nishtar's assumption of its Presidency, however, some real effort is being made now to revitalize the League. But in its bid to achieve this objective it is perhaps over-reaching itself. It has adopted a get-tough policy, in a way that is rather questionable, towards those who fail to carry out its edicts. For instance, it is rather too much for it to expect Dr. Khan Sahib to subscribe to its policy when he was not elected to the Assembly on its ticket. Moreover, Dr. Khan's elevation to the position of Chief Minister of the province was because of the unanimous support he got from the various groups in the provincial assembly, and on the explicit assurance that he was absolutely free to follow his own policies. What makes the case of Dr. Khan's opponents untenable is that they have failed to impress upon the rank and file of the people that their present *volte-face* against their Chief Minister is based on something which is higher than consideration of self-aggrandizement.

Pakistan,

May 1956.

# CANADA

## A MODEST PROGRAMME OF LEGISLATION

THE third session of the present Federal Parliament of Canada opened on January 12 with the commanding majority of the Liberal Party in the House of Commons only slightly reduced by by-elections held last year and its even greater predominance in the Senate unaltered. During the recess a vacancy had been created in the Cabinet by the death of Mr. Alcide Côté, the Postmaster General, and, when Prime Minister St. Laurent was credited with the intention of using it to bring into the Cabinet a distinguished French-Canadian soldier, who had taken no part in politics, there was such a storm of protest from senior Liberal members from Quebec, who felt their own qualifications for the office deserved recognition, that he has kept Mr. Côté's seat in the Cabinet vacant and has given temporary charge of the Post Office to Mr. Hugues Lapointe, who retains the Ministry of Veterans' Affairs.

The Speech from the Throne outlined a more modest programme of legislation than usual and the most important items in it were measures designed to relieve the financial hardships of prairie grain-growers, who owing to the congestion of the elevators with old grain had been unable to deliver and secure payment for more than a small fraction of their crop of 1955, and legislation about a projected transcontinental pipeline for gas. There was the usual number of amending measures drafted to improve and modernize existing statutes, but, apart from the measures named above, most of the proposed legislation was non-controversial. So, when the session opened, high hopes were cherished that the thinness of the programme of legislation and the adoption of new rules of procedure for the House of Commons, which curtailed the time-limit for private members' speeches and the debates on the Address and the Budget, would make prorogation possible by the end of May. But since only a small dent has been made in the disposal of the estimates and a substantial volume of legislation has still to be dealt with, these hopes have now vanished and Parliament is not now expected to wind up its business before the last week in June.

So Ministers are being blamed for dilatory management of the business of the House of Commons, and sharp criticism has been directed at Mr. St. Laurent for culpable neglect of the traditional duties of Leader of the Commons. During the present session he has left them largely in the hands of Mr. Harris, the Minister of Finance, and has himself established almost a unique record for taciturnity. Before the Easter recess, when Parliament had been in session more than ten weeks, he had, apart from answers to questions and statements about parliamentary business, only made one single speech of any length; and once, when he introduced a Bill, he refrained from any explanation of its purpose or advocacy of it. Accordingly the impression grows that, feeling at 74 the burden of his years, he would like to retire soon

from politics, in which he has never been completely at home. But his party are convinced that his leadership is essential to assure them another victory in the next Federal election, and their unanimous pressure upon him may overcome his desire to be released from the cares of office.

After the finish of the debate on the Address there was a prolonged and bitter controversy over two measures of the Government for giving some financial succour to prairie grain-growers, who were facing hardships. One of these Bills sought authority for the Government to guarantee loans by the banks at 5 per cent interest on wheat stored unsold on farms, and the other proposed that the Government should pay storage charges, estimated at about 30 million dollars, on wheat held in the elevators beyond the normal limit of time. But the amount of relief thus offered was denounced as quite inadequate by the spokesmen of the western grain-growers and their cause was championed by all the three parties in opposition, who demanded that the Government should make cash advances on wheat stored on farms up to three-quarters of its value. At one time the Opposition threatened to resort to obstruction, but, when the Government stood firm against any concessions, wiser counsels prevailed and both Bills were eventually passed. Meanwhile there is a welcome prospect of some easement of the present blockade of wheat through recent heavy orders placed by European countries, whose crops sown last autumn have been badly damaged by the abnormal severity of last winter; and, if as a result room is made in the elevators for larger deliveries of the wheat crop of 1955, the financial difficulties of many producers will be solved.

Foreign affairs have occupied the attention of Parliament at intervals, and in the main the Government has retained the support of the parties in opposition for its international policies. In February, however, there were some sharp exchanges between Ministers and the Opposition over the revelation that a number of Harvard training planes were being shipped from Canada to Egypt; and certain members of the Cabinet involved themselves in needless trouble by making statements that proved to be inaccurate about the shipment and resorting to misleading equivocations in defence of their action. For the purpose of offsetting it and pacifying the Jewish voters, the Government had sanctioned the export of certain other war materials to Israel and is now giving sympathetic consideration to an Israeli request for a permit to import planes from Canada. The C.C.F. has continued to press for Canada's recognition of the Communist Government of China, but the Government has not receded from its stand that the time is not yet ripe for such a move. However, the Prime Minister in a somewhat unenthusiastic report, which he gave to the House of Commons, about the results of the recent conference at White Sulphur Springs, U.S.A., with President Eisenhower and Mr. Dulles, indicated that he and Mr. Pearson, who had accompanied him, had suggested to their hosts that the problem of the representation of China in U.N. was bound to grow more acute as time went on. He did not claim many profitable fruits from the conference and made no secret of his disappointment that the President and Mr. Dulles had evaded any serious discussion of problems affecting the relations of Canada and the United

States, such as the use of water power on rivers crossing the international boundary, which has become a very important issue in British Columbia.

### The Budget

THE Federal Budget, which the Minister of Finance presented to the House of Commons on March 20, showed a more favourable national balance sheet than he had predicted in his previous Budget speech. A rise in 1956 of more than 10 per cent in the value of Canada's gross national production had operated to increase the yield of the Federal revenues for the fiscal year 1955-56 to a total of 4,385 million dollars, which exceeded by 183 million dollars or 4 per cent the official forecast of 4,202 million dollars and by approximately 262 millions the figure for the fiscal year 1954-55, 4,123 million dollars. These figures were provisional, for the fiscal year had not closed, but as expenditure totalled roughly 4,437 million dollars they indicated a budgetary surplus of about 52 million dollars, which was less than one-third of the forecast of 160 million dollars and almost as much below the deficit for 1954-55, 152 million dollars. Expenditures for defence showed a slight rise at the figure of 1,740.3 million dollars as compared with 1,666 millions in 1954-55 and again accounted for nearly 40 per cent of the total Federal expenditures. The Budget's estimate for the net Federal debt of Canada on March 31, 1956, was 11,344.8 million dollars, which was 51.7 million dollars—the equivalent of the budgetary deficit—higher than the figure for the same date in 1955, 11,263.1 million dollars.

Budgeting on the assumption that the present boom would continue and that the value of Canada's gross national production would rise in 1956 to at least 28,000 million dollars, the Minister of Finance estimated that the existing structure of taxation would produce in the fiscal year 1956-57 revenues amounting to 4,775 million dollars, which would leave a budgetary surplus of 125 million dollars. However, he only proposed modest reductions of taxation, leaving the income tax on individuals and corporations at their present rates, and their estimated cost to the Treasury of 12 million dollars reduced his prospective surplus to 113 million dollars. A number of new exemptions from the general sales tax of 10 per cent were embodied in the Budget and it imposed a new special tax of 20 per cent, operative on January 1, 1957, on the advertising revenues of the Canadian editions of American magazines like *Time* and *The Reader's Digest*. There were fewer changes in the tariff than usual on account of the tariff negotiations now in progress at Geneva under the terms of GATT; and the most important of them nullified the effect of judicial decisions, which had to a certain extent invalidated the settled policy of the Government to keep all parts of agricultural machinery and equipment on the duty-free list.

### The Pipeline from Alberta

THE most controversial issue of the session arose over the project of a pipeline for bringing some of Alberta's huge stores of natural gas to eastern markets. Trans-Canada Pipelines Ltd., the originator of it, which is controlled by three large American oil and gas companies, found that it could not raise the capital necessary for the construction of the line, whose total



cost is estimated at between 300 and 400 million dollars, without help from the Canadian Government; but the latter rejected its application for a guarantee of bonds, which it proposed to issue. However, after complicated negotiations, the St. Laurent Ministry agreed to form a partnership with the provincial government of Ontario for building, through the agency of a Crown company, the most expensive and least profitable section of the line, running for 375 miles through the sparsely populated territory of Northern Ontario. Towards the cost of this section, estimated at 118 million dollars, Ontario agreed to contribute up to a maximum limit of 35 million dollars and the company undertook to pay an adequate rent for the section, when it was completed, and purchase it eventually at a price that would fully recoup the two governments for their outlays.

To ensure the profitable operation of the line, its promoters professed to need access to markets in the mid-western section of the United States through a branch line; and the Tennessee Gas Transmission Co., one of the largest American producers of gas, which is also heavily interested in Trans-Canada Pipelines, agreed to buy a large quantity of the Albertan gas per annum and to deliver at Niagara to Trans-Canada gas from its American sources of supply to meet the needs of its prospective customers in Ontario.

After these arrangements had been made a start with the construction of the line still required a licence from the Federal Power Commission of the United States for the export and import of gas by the Tennessee Gas Transmission Co., and the assent of the Federal Parliament of Canada for the Government's participation in the scheme. But, when the application for a licence came before the Federal Power Commission, very formidable opposition to it developed. A group of American gas companies, who foresaw a loss of earnings if gas from Alberta was allowed to compete in their territories, were able to enlist the co-operation of railway companies, coal-mining interests, labour organizations and other groups for opposition to the granting of the licence; and at the hearings of the Power Commission a very strenuous battle, whose outcome is uncertain, is in progress. Meanwhile the Bill, which seeks the sanction of the Canadian Parliament for the Government's contribution to the pipeline, has encountered equally stiff opposition at Ottawa. In presenting it, Mr. Howe, the Minister of Trade and Commerce, argued that the national interest demanded the early construction of the pipeline, that the plans of the promoting company were on a sound basis, and that the two governments backing it were well protected against any financial loss. Naturally the Social Credit Party, whose membership at Ottawa is mainly drawn from Alberta, supported a project that promised special benefits to that province; but the Progressive-Conservative Party and the C.C.F. formed a temporary alliance to oppose it.

For the former, its leader, Mr. Drew, maintained that it was utterly wrong of the Canadian Government to spend public money in helping a combination of powerful American oil and gas interests to acquire control of such an important artery of commerce in Canada. So he urged that before Parliament passed the Bill a vigorous effort should be made in Canada to raise domestic capital for the project and that, if it failed, the Federal Government

should undertake the construction of the whole pipeline and, retaining ownership of it, should entrust its operation to a private company. Later he suggested that the two great railway systems of Canada could co-operate for the construction of the line more economically by building it alongside their existing railway tracks. Mr. Coldwell, the leader of the C.C.F., expressed full concurrence with most of Mr. Drew's objections to the plan, but he demanded that the Government should not only build the line, but also operate it. Both he and Mr. Drew warned the Government that they regarded the issue as so serious that their parties would obstruct the passage of the Bill by every possible means, and at the end of its first day the debate was adjourned.

But during the Easter season fresh complications in the situation were introduced by the emergence of two rival plans for the pipeline. First Mr. Frank McMahon of Calgary, a well-known oil magnate and the directing spirit of the West Coast Transmission Co., which is now building a pipeline for gas from the Peace River country to Vancouver and beyond, announced that he had secured the co-operation of four important American gas companies, some of them competitors of the Tennessee Gas Transmission Co., for an alternative scheme, for which the only help needed from the Government would be, not money, but exemption from the general sales tax of 10 per cent and import duties on materials and machinery required for the construction of the line. Soon after the McMahon scheme was made public, Gairdner and Co., a well-known investment house in Toronto, which claimed to be animated by a desire to keep the pipeline under Canadian ownership, intervened with a third scheme. It proposed that, if the Federal Government either on its own account or in conjunction with certain provincial governments would take up 100 million dollars worth of  $4\frac{1}{2}$  per cent mortgage bonds of a company to be formed for the construction of the pipeline, it would try to sell to the Canadian public by a nation-wide campaign another 200 million dollars worth of these bonds and, in addition, between 80 and 85 million dollars worth of common stock in the company. Its plan does not contemplate the sale of any Albertan gas in the United States, and therefore, as a purely Canadian enterprise without any American connexions, it is assured of the warm support of the Progressive-Conservative Party. But so far only the financial features of its plan have been disclosed and, before the Government gives it any encouragement, it will want to be satisfied that it has secured sufficient contracts for the sale of gas to make its pipeline profitable and that it has a reasonable prospect of selling the pipeline securities to the Canadian public, which has hitherto been disinclined to invest in such ventures. The McMahon offer has now been withdrawn. The merits of the other two schemes will be discussed when the debate is resumed in the Commons, and it is quite certain that the C.C.F. will oppose both and stand firm for State ownership of the pipeline.

#### American Investments in Canada

**I**N the debates on the pipeline and the Budget the broad issue of the ultimate consequences of the close intertwining of the economic relations of Canada and the United States was raised, and spokesmen of the

Progressive-Conservative Party and the C.C.F. expressed fears that the growing domination of Canada's national economy by the invasion of American capital, whose inflow has been increasing steadily since the end of World War II, was fraught with danger for the survival of Canada as a separate political entity. Point has been given to these fears by figures recently released by the Bureau of Statistics at Ottawa, which show that in 1955 American capital controlled 44 per cent of Canada's manufacturing plants, 70 per cent of her oil industry and 55 per cent of her mining activities. In a speech delivered at Hamilton, Ontario, Mr. Drew discussed the question at considerable length and, emphasizing the gravity of the situation that was developing, said:

We are not going to be treated as if we were the 50th state of the Union. . . . We are not going to be hewers of wood, drawers of water and diggers of holes for any other country, no matter how friendly that country may be.

Then Mr. R. Douglas Stuart, who has been American Ambassador at Ottawa since 1953 and is due to retire in May, saw fit in a farewell address at Vancouver on April 16 to challenge the validity of such apprehensions. He denied that there was any menace to Canada's political future in the influence exerted on the Canadian economy by the large investments of American capital and, without mentioning Mr. Drew by name, but obviously referring to the latter's speech in Hamilton, for he quoted extracts from it, he described it as an emotional appeal and declared that the charges that Canada's economy was under the dominating control of American interests resembled "old-fashioned communist" caricatures rather than sober presentation of facts. After discussing the economic relations of the two countries, he pointed out that in modern times no great new country had been able to develop its natural resources and build up a structure of heavy industry without the assistance of foreign capital, with the exception of Russia, which had only achieved these tasks at the expense of very low standards of living for the mass of her people. So he deplored the outcry in Canada about the domination of American capital and gave a warning that its continuance might cause "a departure from the traditional easy and automatic relations between Canada and the United States". It is understood that Mr. Stuart had before the delivery of his speech submitted it to the State Department at Washington and that it evoked no comments from that quarter.

But, after receiving generous publicity in the press of Canada, it was the target of critical comments from many quarters and produced immediately protests from Mr. Drew and Mr. Coldwell. The former said that it was most unfortunate that Mr. Stuart, who had always been regarded as a warm friend of Canada, should have given in his farewell address such an inaccurate interpretation of Canadian sentiment towards American investors. American investments were always welcome in Canada, but many Canadians had urged and would continue to urge that their Government should take appropriate steps to ensure the processing at home of a larger proportion of the country's raw materials for the domestic employment of a greater number of Canadians;

and this aim was something very different from the interpretation placed on quotations removed from their context and meaning.

Mr. Coldwell's protest was much stronger. Declaring that he shared Mr. Drew's view that the dominating control of Americans in important Canadian industries, and in the exploitation of Canada's natural resources after their own had been depleted, would eventually endanger Canada's economic and political independence, he held that it was unusual and highly improper for an ambassador to intervene in a domestic political controversy and attack views expressed by a member of the Canadian Parliament; Mr. Stuart's speech should be answered by members of that Parliament and particularly by the Secretary for External Affairs in his official capacity. Mr. Pearson withheld his comments until a meeting of the special committee on estimates, which was examining the votes of his department, and then he said that Mr. Stuart's speech in his opinion contained one or two passages that seemed to be "unfortunately of a character likely to produce controversy in Canada" and that, while no formal diplomatic protest had been made at Washington, the Canadian Embassy there had carried out instructions to draw the attention of the State Department to the provocative passages. But he felt that Mr. Stuart had done nothing improper in following a tradition of frank speaking between Canada and the United States to meet certain charges and criticisms by explaining his own government's attitudes and objectives, and that he had offered his frank and honest views as a sincere friend of Canada. Besides Mr. Drew and Mr. Coldwell, other members of the opposition have voiced their resentment over the speech, and it has evoked critical editorials from influential papers like *The Toronto Globe and Mail*.

### The Provinces and Taxation

THE St. Laurent Ministry has been persevering with its efforts to work out with the ten Provinces fresh arrangements about their relations in regard to taxation to replace the existing agreements for the rental of certain fields of taxation, which are due to expire next year. If these agreements were renewed, the provinces would be entitled in the fiscal year 1957-58 to receive from the Federal Treasury compensatory grants totalling 531 million dollars per annum; but, since few of them are willing to renew their pacts on the original terms, the Federal Conference has at each of two Federal-provincial conferences raised its bids for their concurrence until it now stands at 640 million dollars per annum. The provincial ministries have now this latest offer under consideration, but some of them, particularly the Government of Ontario, regard it as still inadequate. Premier Duplessis of Quebec, who had refused to sign any rental agreement, has been showing a more conciliatory attitude, but a commission called the Tremblay Commission, which he had appointed to examine and report upon the constitutional and financial problems of Quebec, has lately produced a report, whose recommendations support most of Mr. Duplessis's extremist claims about provincial autonomy and would, if carried out, undermine the basic structure of Confederation.

Canada,

May 1956.

# SOUTH AFRICA

## LEGAL CHALLENGE TO THE SENATE ACT

AT the time of writing South Africa is entering on what might be the last lap of a bitter constitutional dispute which began in 1950. Before a full bench in the Supreme Court in Cape Town two Coloured voters have applied to have the Senate Act and the consequent Act amending the entrenched clauses declared invalid.

This is the third major legal action which has arisen because of the present Government's determination to restrict the Cape Coloured vote. In terms of the South Africa Act, the Coloured vote is entrenched and can be altered only if the Bill doing so is passed by a two-thirds majority of both Houses of Parliament sitting together. In 1951 the Government had passed by simple majorities in each of the two Houses a Bill placing the Coloured voters on a separate roll. In 1952 the Appellate Division, in a unanimous decision, declared that the Act was invalid and that the entrenched clauses of the Constitution were of full effect. A few months later the Government tried again, this time with the High Court of Parliament Act. This Act set up the members of Parliament as a sort of super-court to try constitutional cases and this "court" duly heard and upheld a government appeal against the decision of the Appellate Division. Later in the year the Appellate Division declared the High Court of Parliament Act invalid.

There followed a period during which the Government introduced the invalidated 1951 Act at a joint session and failed to get a two-thirds majority; and at one time a Bill was introduced (but not proceeded with) to set up a Court of Constitutional Appeal. Last year the final steps were formulated with, first, the enlargement of the Appellate Division to a court of eleven judges, all of whom must sit in constitutional cases and, secondly, the passing of the Senate Act.

This Act came into operation towards the end of last year. It dissolved the former Senate and set up in its place a body composed of 89 senators compared with the previous membership of 48. In addition, the method of electing these senators was altered in such a way that the Government was assured of securing 77 out of the 89 seats. The net result has been to increase a government vote of 124 in a Joint House of 207 (14 fewer than a two-thirds majority) to a government vote of 171 in a House of 248 (or 5 more than a two-thirds majority).

The main event of the present session of Parliament has been the joint session of both Houses of Parliament—the new, enlarged Senate and the former House of Assembly. A short Bill was laid before the Joint House to revalidate the invalidated Separate Representation of Voters Act of 1951, and in addition to excise from the Constitution the entrenched clause which requires a two-thirds majority to alter the Cape Coloured franchise.

In the months leading to this final Joint Session there had been much



discussion, particularly by the Prime Minister, Mr. Strijdom, on what he called "the sovereignty of Parliament". He asserted that any constitutional restriction on the exercise of Parliament's powers was a restriction of Parliament's sovereignty and that national dignity demanded a Parliament as "free" as the Parliament of Westminster. It was expected, therefore, that Mr. Strijdom's Bill would eliminate the language entrenchment as well as the franchise entrenchment. In the event the Bill proceeded to "re-entrench" the language clause, although critics said that this was an empty gesture, since the re-entrenched language guarantee was as vulnerable as the franchise guarantee to amendment by means of an enlarged Senate.

The Joint Session went very much as expected. The Labour Party decided to boycott the proceedings, on the ground that the enlarged Senate was a fraud and the Joint Session proceedings a mockery. The United Party, however, fought the Bill every inch of the way during warm debates which lasted for a fortnight. Mr. Strijdom defended his actions with the proposition that the supremacy of the White man was based on the franchise laws and that, with the increase in the literacy and numbers of the Coloured people, the White man would be overwhelmed if the Coloured vote was not restricted. The Prime Minister asserted that the *baaskap* (dominance) of the White was the traditional policy of South Africa.

The voting, also, went according to plan. The 77 Nationalist senators voted as was expected and the South Africa Act Amendment Act was declared passed by 174 votes to 68, 8 more than the two-thirds majority. Three of the 6 members of the Conservative Party voted with the Government.

The Government's next legislative step followed almost immediately. This was a measure to amend the Separate Representation of Voters Act of 1951 which was validated (subject to what the courts will say) by the Joint Session. The earlier Coloured Representative Council, an advisory body to guide the Government on Coloured matters, is radically altered by ensuring that it will have a majority composed of nominated as distinct from elected members. In addition it takes from the Coloured people the right, provided in the South Africa Act, to be represented in the Cape Provincial Council by their own people. Dr. Dönges admitted that this measure amounted to a positive deprivation of political rights of the Coloured people, but asserted that the Coloured people were being given other rights and that in any event it was necessary to bring the Cape Provincial Council into line with other aspects of the Government's *apartheid* policy. The Government was frequently reminded that in 1950 Dr. Malan and Mr. Havenga had in a published agreement asserted that the rights of the Coloured voters would not be reduced. The reply to this was that the agreement was a matter which concerned only Mr. Havenga and was not binding on the Nationalist Party as such.

So now, for the third time, the controversy is removed to the courts. The Coloured applicants are asserting that the enlarged Senate is a subterfuge designed to secure a nominal two-thirds majority for a measure which would not be supported by that majority as conceived by the makers of the Con-

stitution. On the principle that the Government cannot do indirectly what it is illegal to do directly, they ask that both the Senate Act and the consequent Act amending the clauses be declared invalid. The Government's answer is that the court cannot look at motives or intentions and that in form the procedure conformed with the Constitution. This is another way of asserting that the guarantee provided by the entrenchment has been valueless and that at any time the entrenched sections of the South Africa Act could have been altered by a government that chose to use its simple majority to create a two-thirds majority.

Whichever way the decision goes in the Cape Provincial Division there will be an appeal to the Appellate Division of eleven judges. The Appellate Division will no doubt pronounce on two points—whether the 1951 court was right in asserting that the Statute of Westminster did not repeal the entrenched sections and whether the enlarged Senate whose composition ensured the two-thirds majority was a House of Parliament in terms of section 152 of the South Africa Act.

An event of major importance has been the presentation to Parliament of an official summary of the mammoth Tomlinson Report on the Native reserves. The Commission has been sitting since 1950 and, after hearing masses of evidence, has produced a report which goes to 18 volumes. Against the background of the development of the Native reserves it examines the whole question of the practicability of *apartheid*. Both the Government and the Opposition have been a little cautious in pronouncing on the report, and little has been said about it pending a full-scale parliamentary debate which has been promised for next month. The Government has now set out its views on the report in a White Paper. The Tomlinson Report, the White Paper and the debate will be discussed in a later issue of THE ROUND TABLE.

South Africa,  
May 1956.

# AUSTRALIA

## COMMONWEALTH AND STATE ELECTIONS

IN the Commonwealth elections on December 10 the government parties increased their majority in the House of Representatives by 7 to 28 but failed narrowly to win a clear majority in the Senate. The Anti-Communist Labour Party\* was eliminated from the House of Representatives but has two members in the Senate; and these will hold a balance of power.

These results must be interpreted in the light of the circumstances that dictated the timing of the elections. The House of Representatives could have run to May 1957; a Senate election was due before June 30, 1956. In the old Parliament the Menzies Government held the Senate by 31 seats to 29, but of the 30 Senators due to retire on June 30 next, 18 were government supporters. Therefore, to hold its Senate majority the Government needed to win 3 of 5 Senate seats in each State. Under the system of proportional representation used in Senate elections this is a feat not easily accomplished by any party; therefore it was regarded as necessary to choose the most favourable time for a Senate election. It is also accepted as desirable, in an election-ridden country, that elections for the Senate and House of Representatives should coincide. Given these desiderata of a favourable time and coincident elections for both Houses there were three reasons for the Government's choice of a date in December. First, dissensions within the Federal Labour Party and the Australian Labour movement as a whole reached a new peak of intensity in October with the debate in the Commonwealth Parliament on the report of the Royal Commission on Espionage. On October 19, in his speech opening the debate, Dr. Evatt startled and dismayed his followers by disclosing that he had written to the Soviet Minister for Foreign Affairs, Mr. Molotov, asking his opinion on the authenticity of documents handed by Petrov to the Australian Security Intelligence Organization. Dr. Evatt also demanded that an international commission with Soviet membership be established to settle the authenticity of the documents. Most newspaper commentators linked Mr. Menzies's choice of December 10 with the "Molotov Letter". A second reason for an early election was that during the third quarter of 1955 there were unmistakable signs of renewed inflationary pressure in the Australian economy, making it likely that before long the Government would have to apply unpopular economic measures. Finally, the States of New South Wales, Queensland and South Australia were all due to have elections before May 1956. To avoid an overlapping of Commonwealth and State election campaigns, the Government felt it necessary to hold an election before the end of 1955.

Others besides the members of the government parties had reason to favour an early election. The 1955 sessions of the Commonwealth Parliament were the most unpleasant of recent years. The members of the Anti-Com-

\* See THE ROUND TABLE, No. 181, Dec. 1955, p. 87.

munist Labour Party in the House of Representatives, most of them labouring under a strong sense of wrong, were determined to inflict the maximum of damage on the official Labour Party.\* The outcome was a series of debates remarkable chiefly for their bitterness: "The tension, strain and excitement in Canberra", said Mr. A. A. Calwell, Deputy Leader of the Parliamentary Labour Party, on October 24, "have made the Parliament practically unworkable."

In spite of the turbulence of the session the election campaign was uneventful. Official Labour concentrated mainly on issues of economic and foreign policy. In his economic statement of September 27, Mr. Menzies had attributed inflationary pressures and the swift decline in oversea currency reserves mainly to excessive consumer spending. In his policy speech Dr. Evatt challenged this analysis of the situation and laid the blame for economic disequilibrium on an excessive rate of private investment brought about by over-generous bank lending to large private corporations. Holding that no curtailment of private spending on consumer goods was desirable or necessary, he promised increased social-service benefits to a total of £65 million, to be financed partly by increased company taxation and partly by economies in defence expenditure. On the foreign policy side, Dr. Evatt attacked the Government's policy towards South-East Asia and, in particular, its decision to send Australian troops to Malaya. Dr. Evatt's attack on the large industrial corporations seemed to mean that, for the first time since the war, Labour was reverting to a radical economic policy. Few of Dr. Evatt's followers showed any enthusiasm for his change of attitude, especially since in other election campaigns he himself had taken a different point of view.

Election speeches by Mr. Menzies and other government members made it plain that the Liberal and Country Parties were standing on the record of their achievements. Supporters of the Government made many strong attacks on Dr. Evatt personally. They claimed that he did not understand the economic problems of the country, that his economic and foreign policies were both inept and that he would be incapable of forming or leading a strong stable administration. These tactics on the part of government members led part of the press, including some newspapers normally favourable to the Liberal and Country Parties, to complain that no attempt was being made to explain policy constructively. The Anti-Communist Labour Party produced an economic policy which resembled that of Labour and sided with the Government on foreign policy.

In the elections to the House of Representatives, the Liberal and Country Parties polled 47.6 per cent of the votes. But the proportion of the electorate supporting the Government was much higher than this figure would suggest. Ten seats were uncontested, all of them held by government supporters. The Labour Party polled 44.7 per cent of the votes cast for the House of Representatives, while Anti-Communist Labour, the Communist Party and the Independents polled among them about 7½ per cent of the total votes. Only in Victoria, where the Anti-Communist Labour Party was strongest, did it make an all-out attempt to gain representation in the Lower House.

\* See "The Rift in the Labour Party", *THE ROUND TABLE*, No. 181, Dec. 1955, p. 87.

In this State the Party contested all seats and won 15.8 per cent of the total vote.\* The general result of the elections was to give the government parties 75 seats, compared with a Labour Party total of only 47.

### Both Sides Strengthened

THE seemingly paradoxical result of the Commonwealth elections has been to strengthen both Government and Opposition. Mr. Menzies has received increased support from an electorate largely unaware that unpalatable economic measures were in prospect; and though his success was somewhat marred by his failure to win a clear majority in the Senate, it must be borne in mind that the new members of the Senate will not take office until June, by which time, it may be expected, the Government's anti-inflationary programme will have been put into operation. In the previous Parliament, the Opposition was weakened by two causes: the destructive tactics of the Anti-Communist Labour Party, which to many seemed more anxious to discredit the Labour Party proper than to criticize the Government, and the manifest dissatisfaction of some Labour members with Dr. Evatt's leadership. By eliminating the Anti-Communist Labour Party from the House of Representatives, the election has undoubtedly produced a more workable Parliament. Oddly enough, the election has also strengthened Dr. Evatt's position as Opposition leader, for although he led his party to a defeat for which his handling of the Petrov affair was partly responsible, his extraordinary resiliency and physical toughness as a campaign leader threw into relief the indifferent quality of his rivals and critics within the Labour Party. At a Caucus meeting on February 13, just before the opening of the new Parliament, he was re-elected leader by a formidable majority of 58 votes to 20 over the only challenger, Mr. Allan Fraser. On its showing to date in the present Parliament, the Labour Opposition is more disciplined in conduct and cogent in argument than it has been for some years. Whether this change is an instinctive drawing together of Labour parliamentarians after an electoral reverse, or whether it is based on a greater sense of unity in the Labour movement as a whole, must remain for the moment an open question.

The Commonwealth election was followed by an important change in the form of the Cabinet. In order to integrate the control of trade policy, which previously had been divided between the Department of Commerce and Agriculture and the Department of Trade and Customs, the Prime Minister, Mr. Menzies, established two new portfolios and so increased the size of his Ministry from 20 to 22. He himself had already been of the opinion that the Cabinet (including all the Ministers) was too large for efficient working and had experimented with a system of Cabinet committees. He has now established an inner Cabinet of twelve Ministers, thus approaching the British system in which Cabinet and Ministry are not co-extensive. An obvious

\* The Senate elections produced results very like those in the House of Representatives. There was a heavy proportion of informal votes, especially in Victoria. Of the votes validly cast, 47.7 per cent went to the Government parties, 40.6 per cent to the Labour Party, 6.1 per cent to Anti-Communist Labour and 3.6 per cent to the Communists. The Government won 17 seats, the Labour Party 12 and Anti-Communist Labour 1.



weakness in Mr. Menzies's arrangement is that he has not been able to choose his twelve-member Cabinet by the sole test of the policy-making importance of the portfolios.

### State Elections

THE New South Wales and South Australian State elections held on March 3 tested the popularity of administrations with long terms of office behind them—fifteen years in the case of the Labour Government in New South Wales and twenty-three years in the case of the Liberal-Country-Party Government in South Australia. In South Australia there was no serious expectation of a government defeat; in New South Wales, there was a not unreasonable hope among Labour's opponents that the Liberal and Country Parties would gain the 12 seats necessary to give them a parliamentary majority. The voting in the December Commonwealth elections and the disunited state of the Labour Party both gave grounds for belief that the Government would be overthrown.\* But the major weaknesses of the Government, as a large part of the press vigorously maintained, arose from its own record. Inefficient administration, repeated charges of official corruption and the deplorable state of the Government's transport services all provided powerful inducements for electors to put the Opposition into power. For a few days after the polling date a Labour defeat seemed possible, but the allocation of preferences in the doubtful seats gave five of them to the Labour Party by narrow majorities. In the new Lower House Labour will hold 50 seats compared with 57 in the old House, the Liberals 27 seats, a gain of 5, and the Country Party 15 seats, a gain of 2. There are 2 seats held by Independents.

In South Australia, the return to power of the Liberals and Country Party after eighteen years of office, and that in a State which normally gives Labour a majority at Commonwealth elections, was due partly to the electoral system, which gives a heavy weighting to the country vote, and partly to the sagacity and political skill of Thomas Playford, who now enters upon his seventh term as Premier.

According to the Statistical Register of South Australia for the year 1953-54, the Labour member for Port Adelaide, with its enrolment of 31,185, represented more electors than did the Premier, the Minister for Lands, the Minister for Works, the Minister for Agriculture and the Speaker, whose constituencies, taken together, contained 28,591 electors. This disparity was slightly corrected in 1955, when the enrolment of Port Adelaide, and that of the other twelve metropolitan seats, was reduced to about 23,000, and the smallest, in voting strength, of the country electorates, that of the Speaker, was merged, in the course of a redistribution, into one or more of the twenty-six rural or semi-rural constituencies then created, each of which now has an enrolment of about 6,700.

\* Mr. Cahill, the Premier, has tried to keep aloof from party feuds and to find safe middle ground between Dr. Evatt and his supporters and those who are somewhat misleadingly called "Groupers", that is, supporters of the industrial group movement formed to combat Communism in the unions.

Such disregard for the principle of "one person one vote, one vote one value" is not peculiar, in Australia, to any one State nor to any one political party. It has been a bitterly contested feature of Electoral Acts here since 1851. It operates, at present, to the marked advantage of the Liberals and Country Party in South Australia and to that of the Labour Party in Queensland, where as recently as 1949 the latter, which has been in office since 1932, so provided that the number of electors in the constituencies in the four electoral zones into which, for State elections, that State is divided, varies from about 10,800 in the Metropolitan zone to about 4,600 in the Western zone.

The State election in Western Australia, held on April 7, resulted in a victory for the Labour Party led by Mr. A. Hawke, whose Government was returned with a majority of 29 seats to 21 in a House that previously had been equally divided. This unexpected result has been widely attributed to the rigours of the supplementary Federal budget introduced in March and to the lengthy waterside strike earlier in the year (Western Australia relies heavily on seaborne traffic and the strike had a marked effect on business activity there). The supplementary Federal budget was intended to be deflationary. The higher sales taxes on cars and luxuries, the higher excise duty on petrol, liquor and tobacco and the higher tax on company profits have all aroused resentment. The Government's measures have also been criticized on the ground that official spending has not been curbed sufficiently. Many people doubt the deflationary effect of a policy that merely transfers a large amount of spending power from the general public to the Federal government. The Western Australian elections were held while criticism of the supplementary budget was still at its height, and the Labour Party benefited from the rather belated attempts of the Menzies Government to put teeth into its anti-inflationary policy.

### The Waterfront Strike

THE recent waterfront strike disrupted Australia's oversea and coastal shipping for three weeks at a critical period in the export season. The strike developed out of the Commonwealth Arbitration Court's rejection of the claim of the Waterside Workers' Federation for the incorporation of higher margins for skill into waterfront wages. The W.W.F. related its claim mainly to the general rise in the cost of living since its previous marginal increase in 1948. The Court took the view that the watersiders are not skilled workers and that the application of the metal trades formula, which provided for a  $2\frac{1}{2}$  times increase on margins ruling in 1937, would not result in increase of their margins. It therefore proposed to the W.W.F. that it should continue its case on different and wider grounds. However, the W.W.F. preferred a direct approach to the employers and mid-January negotiations finally broke down, the W.W.F. demanding an increase of 1s. in hourly rates and the employers offering 6d. an hour and a minimum wage of £20 a fortnight on condition that the W.W.F. would concede certain changes in working conditions. The W.W.F. had meanwhile put its case before the Australian Council of Trade Unions, and with the backing of this body it called a strike which

began at midnight on January 22. The A.C.T.U.'s forthright endorsement of the strike was unusual, since in previous waterfront disputes (except the dispute in protest against the 1954 legislation) it has preferred to remain cautiously neutral. In some measure, no doubt, its attitude reflected a fairly general feeling that the watersiders had received less than wage justice and that the dispute was one outcome of an unsatisfactory waterfront situation for which others besides watersiders bore responsibility. But the A.C.T.U.'s attitude was also related to the current division, perceptible in both the political and the industrial wings of the Labour movement, between those who support Dr. Evatt and the policies adopted by the Hobart conference of the party in March 1955, and those who are somewhat unsatisfactorily designated "groupers"—supporters, that is, of the now disbanded industrial groups. This division has now become so marked that it is difficult, if not impossible, for any trade union organization to find safe middle ground. If the A.C.T.U. had not supported the watersiders, it might well have lost their affiliation and would certainly have lost prestige among the unions. But to support the watersiders was scarcely less dangerous than to stand aside from the dispute, for the W.W.F. is Communist-controlled and its secretary, Mr. J. Healy, is among the most astute of Australian trade union leaders. A victory for the watersiders would inevitably have helped the Communist Party to recover lost ground in the trade union movement, and would undermine the position of the A.C.T.U.'s present leadership. In the event, the A.C.T.U. came out of the affair badly. As the strike entered its third week, and neither the shipowners nor the Government appeared willing to compromise, it was faced with a clear alternative between calling off the strike and facing the probability of a major industrial crisis comparable to that precipitated by the Communist-led miners in 1949. On February 7 its inter-state executive, by a narrow margin of votes, decided to instruct the watersiders to return to work. (Two days later it upheld this decision in the face of a motion to rescind.) The strike ended on February 14, the watersiders accepting the A.C.T.U.'s instruction but bitterly denouncing its "capitulation to the ship-owners in the fight for wage justice". Thus, the A.C.T.U.'s handling of the waterfront strike has both reflected and intensified the split in the Labour movement. Rightly or wrongly, the watersiders and their allies, who include the seamen and the miners, are convinced that they were betrayed by "grouper" interests, and they have made it plain that the struggle will be renewed at the first favourable opportunity.

Australia,

May 1956.

# NEW ZEALAND

## INFLATION AND THE BALANCE OF PAYMENTS

**I**NFLATION is a problem which New Zealand shares at least with the rest of the Commonwealth—a problem involving balance-of-payments difficulties.

Economists and others have for a long time been pointing to the steps considered necessary to arrest unfavourable and developing trends. These arguments have been advanced from the point of view of economics, but political considerations seem to have impeded action. Timidity and uncertainty have resulted in the Government's fighting a rearguard action. From latest developments, however, it is clear that the Government has now resolved on a course which it is proceeding to put into effect, in successive and related stages, with firmness. Concurrently, results are now emerging from the Government's intensified credit restriction policy.

To express, in short terms, New Zealand's principal economic problem, the Labour Government, entering office towards the end of the depression, swiftly expanded purchasing power and thus caused a flood of imports which almost consumed the Dominion's available sterling funds. Then followed a long period of war-time shortages and attempted conservation by means of detailed import controls. The present Government, in order to give wider expression to surplus purchasing power which had been pressing on an artificially restricted and inadequate supply of goods, increased the supply of those goods and encountered a pent-up demand which gave no sign of being satisfied. The efforts of the Government have been directed for some time now to ensuring that the country does not spend on imports more than it earns by exports—without resorting to full-scale control of imports (which is against its declared policy) or a return to its own former allocation of exchange for imports through the Reserve Bank.

In mid-December last the Reserve Bank used plain terms in a forthright bulletin which it issued in review of the policy underlying the current "credit squeeze". Stating that the end of the credit restraints could not be predicted, but that they would continue for some months at least, the bulletin stated: "When price stability is reasonably assured, when vacancies in industry and the people to fill them are more nearly in balance, when imports are at a level we can afford and when the economy generally seems to be on an even keel, gradual relaxation can be started." The dominant notes sounded by the bulletin were less consumer expenditure (i.e. more savings so as to reduce the demand for consumer imports) and less private capital spending.\*

The Reserve Bank also announced that the business community should not count on being able to obtain an increased overdraft limit to pay income tax in March.

Despite these pressures against consumer expenditure, including hire-purchase restrictions, Christmas retail trade defied the "credit squeeze". The

\* See THE ROUND TABLE, No. 181, Dec. 1955, p. 98.

Department of Statistics showed that retailers sold goods during 1955 to the value of £373.2 million—an advance of 3 per cent on the 1954 figure, and easily a record turnover. This buoyancy permeated practically every branch of retail trade. The figures confirmed the diagnosis of high blood-pressure in the body economic that had been put forward by the Minister of Finance in the 1955 Budget. Common criticism had been that the Government, in its six years of office, had done too little to check inflation and too much to encourage it. On the other hand, the country's inflationary troubles have not all arisen from internal policy, in that New Zealand, with her extensive import and export trade, is highly vulnerable to world price movements. Moreover, corrective measures have not been lacking. These have taken the form of direct controls such as greater restriction of building permits, control of capital issues, the confining of local government works to the most essential classes, and hire-purchase restrictions. But it had been evident for some time that these were not enough.

In the meantime, in the field of indirect controls, the level of trading bank advances continued by mid-January to remain obstinately high, in spite of the attempts of the Reserve Bank to restrict credit. After the heavy Christmas realizations, the deposits of trading banks at the Reserve Bank increased by £2.2 million in the week ended January 11 to the highest level since March 1953. The Reserve Bank responded by raising the minimum balances which the trading banks are required to maintain at the Reserve Bank to 26 per cent of demand liabilities. This was the fifth increase in less than a year, and it brought the ratio to the highest figure yet fixed.

At the same time, the "squeeze", in its application, was on the trading banks rather than on the users of credit, in that it did not permit the banks to use the normal method of making a reduction; nor did it offer any definite way of identifying those who should have credit and those who should not.

It became increasingly evident that a rise in the overdraft rate, if permitted, would discourage marginal transactions, which would help to relieve the banks of the extreme difficulty of discriminating among their customers. Again, well-placed companies would use other ways of raising finance if bank credit were not artificially cheap. A sidelight on the artificiality of the overdraft rate was provided by the practice of oversea buyers of working on overdraft from New Zealand banks instead of borrowing from their own banking systems at realistic rates. The action of the banks in January in raising the rates on export trade overdrafts from 4 to 4½ per cent confirmed that New Zealand credit had been used on a large scale.

In early February the Government made its next positive though belated move in its attack on inflation by abolishing the minimum and maximum overdraft rates of 4 and 5 per cent respectively, and allowing an average rate of 5 per cent, thus restoring to the banks some part of their traditional weapon against the excessive use of bank overdrafts for non-essential purposes and the reduction of existing overdrafts. It seemed to be scarcely a coincidence, however, that this announcement was made by the Government a month before the final date for payment of income tax.

These steps—together with a permitted increase in the rates for fixed



deposits with the trading banks—ended the era of cheap money, and advantage was taken of the market mechanism of higher interest rates, which has proved a useful counter-inflationary device in other countries. More was soon to follow in the field of interest-rate adjustment.

In the meantime, figures from the Reserve Bank on New Zealand's external trading during 1955 gave evidence that the Government's credit restriction policy was becoming effective. While private imports for the year were £246.4 million (an increase of 13 per cent over the preceding year) they fell by £4.2 million in December over November. On February 23 the Reserve Bank machinery went into reverse gear by reducing the reserve ratios to the very low levels of 7 per cent and 3 per cent respectively of the trading banks' free and fixed deposits. This was a normal variation at this time. It was emphasized that the move was merely a technical adjustment to allow the transfer of £50 million from customers' accounts for the payment of income tax, and that the ratios would be raised again within a few weeks (as compared with more than three months in a similar situation the previous year).

On March 10 last the Minister of Finance (Mr. Watts) announced the Government's plans for dealing with the gigantic financial problem (for New Zealand) of converting £49.5 million of government loans maturing during the financial year beginning April 1, 1956.

In the same announcement, the Minister discussed the cost of living, the credit squeeze, overseas funds and bank overdrafts. The essence of his review was an affirmation that the Government has set its face as far as possible against the use of direct controls in keeping the economy in proper balance, because these direct controls deal with results, not causes.

### A Ministerial Survey

THE points made by the Minister can be summarized as follows:

*Wages and living costs.* Wage levels have improved. A survey of actual wages paid to all employees shows that over the six months to last October there was an average rise of 9s. 6d. in weekly wages. The standard of living is higher than ever before.

The consumer price index increased by only 2½ per cent for 1955, and was practically steady during the latter part of the year.

The problem is thus one not of internal price stability but of over-importation. Too many people are acquiring too many things on too much credit instead of using saved money to buy them. The decline in overseas balances to an uncomfortably low level last year showed that the demand was for more goods and services than the country can supply without using up its reserves.

*Overseas funds.* Reserves are steadily rising, being £16 million higher than at the beginning of 1956. Oversea payments during 1955 were £26.5 million more than receipts, although exports were a record. Stocks in the hands of retail traders were 7.8 per cent higher at the end of 1955 than in 1954. Imports were too high by £24 million a year, and must be reduced by 10 per cent.

*Bank overdrafts.* At the end of 1955 overdrafts stood at £176 million and by February 29 last had dropped by £10 million. The Minister claimed that this was a much lower figure than if there had been no restraint exercised.

*Credit squeeze.* The Minister gave warning that if the steps taken in pursuance

of the Government's credit policy did not improve the position quickly enough, then the brake would be applied a little harder, by means of other (but unstated) methods. The Minister expects the credit squeeze to continue for most of this year at least.

*Works programme.* Works expenditure by local bodies has increased by 28 per cent in two years, but there was no further comment on this by the Minister, or on the apparent failure of the Local Government Loans Board to hold down local-body expenditure to essential works.

However, in keeping with the intention of the Government to hold prices as stable as possible, the Minister announced that the Government is making another survey of capital works with a view to their reduction. He claimed that over the last few years government spending had been kept to essentials, and that government investment had been held back severely, as a comparison with the private sector would show. The total rate of investment in New Zealand is about 23 per cent of the gross national product, and is one of the highest in the world.

*Interest rates.* In addition to the increased interest rates for the Government's loan conversion, the maximum interest rate for local-body loans has been raised by  $\frac{1}{2}$  per cent to  $4\frac{1}{2}$  per cent. This places the local-body rate  $\frac{1}{2}$  per cent above the new rate of short-term government stock, and  $\frac{1}{2}$  per cent above long-term government stock. With the Government's conversion loan at par, the reduced margin of  $\frac{1}{2}$  per cent over the State's long-term rate replaces the traditional  $\frac{1}{2}$  per cent margin.

The rate of interest on savings-bank deposits is under consideration by the Government.

*Direct controls.* The Minister of Finance firmly rejected the use of any further direct controls. He sees no cure for over-spending by resort to exchange allocations for imports or selective import controls, since it would still be necessary to continue with the present policy of credit restriction and also to bring in other direct controls more harshly, such as extended price control. Import licensing he regards as dealing with the effects, not the causes, of financial difficulties, whereas the objective in monetary policy is to get at the cause of the excessive demand for money.

In applying his essential curbs with caution the Minister has, of course, been greatly assisted by the firmness of New Zealand's export markets. With over-sea earnings at a record level he could afford to take the risk of exercising patience in applying measures to reduce excessive spending. He has also been given time to develop a flexible system of financial control, which should be capable of continual adjustment without any jolting of the national economy. He shows confidence that he has the situation under control.

### Nuclear Power

A SHARE in atomic developments now appears to be a long way from New Zealand's door.

Because of a gross error of about 100 per cent in estimating the cost of heavy-water production from geo-thermal power in New Zealand the project, in which the New Zealand and United Kingdom Governments were partners in a £6-million development company, has been dropped. This definite decision was announced by the Prime Minister almost six weeks after

it was reported that a serious miscalculation had been made and that the project might be abandoned.

There is a certain humiliation in this occurrence. After the scheme had been adopted wide interest was taken in it. A consoling aspect is the gain in power for use in the national grid.

How an error of such magnitude occurred in the planning of the heavy-water project has not yet been disclosed, but it is understood that a full enquiry is being made in England.

New Zealand's interest in atomic developments turned almost simultaneously to a report made by the chief engineer of the State Hydro-Electricity Department (Mr. Latta) on his return from overseas. Mr. Latta, after making recommendations for the immediate future in the fields of hydro, geo-thermal steam- and gas-turbine generation, ruled out, under the long-term heading, atomic power as a source to be considered at the present stage. A month later the Minister in charge of the Hydro-Electricity Department (Mr. Goosman) expressed pessimism about the cost of generating atomic power.

There is prudence in the counsel that, as there is likely to be much progress made in atomic power in the next decade, New Zealand should only come in when there is less risk of early obsolescence. At the same time, with power shortages current and ahead, even with plans which the Government has announced for hydro-generation distribution from the South to the North Island by submarine cable, the public would be easier in mind if it felt assured that the Government is preparing adequately for the possibility that nuclear power will be the only answer for the North Island of the Dominion.

It would be regarded as progressive planning if the Government were to evolve a means of ensuring that the country has at its command a team of scientists fitted by their training and experience to put the raw materials and machinery to work in a nuclear power plant—and to keep it working. Our present scientific strength provides no such assurance, because so many leading research scientists have been lost to other countries, and because opportunities and incentives are lacking for those who have remained.

The warnings are clear enough. Dr. E. R. Collins, a Harwell atomic research scientist, who visited New Zealand late last year, emphasized that we should look ten years ahead, by which time nuclear generation of electricity in the North Island would be possible, and perhaps even imperative. Other experts have made it clear that it will take at least ten years to train the team of scientists that will be required.

On the other hand, Sir Charles Darwin, former director of the National Physical Laboratory (U.K.) advised New Zealand to get all the power it could out of water, as being still the cheapest source of power.

It may be true that the cost of nuclear power production is at present 25 to 75 per cent greater than that of coal stations. The comparison with hydro-electric generation would be even more unfavourable. But the new atomic age is moving with such swiftness that its advantages may be lost to New Zealand unless we organize so as to be able to seize them.

New Zealand,

May 1956.

# RHODESIA AND NYASALAND

## INTEGRATION OF TERRITORIAL ECONOMIES

THE Federation of Rhodesia and Nyasaland is only 2½ years old and, although there is still some grumbling and dissatisfaction, particularly against the Federal Party Government itself, there is no doubt that great strength is emerging from the integration of the economies of the three territories. Sir Ernest Oppenheimer, Chairman of the Rhodesian Anglo-American Corporation Limited, said recently;

The Federation offers many opportunities for mining, industrial, commercial and agricultural development. It offers to men and women the opportunities of a new country with a young and healthy approach to its problems. It requires much in the way of capital and technical skill, and in those fields which are within our capacity, we will continue to play our full part.

Sir Ernest stated that the Corporation had already spent £35 million in opening up mines and providing township services, and that it had retained a further £45 million from profits for the expansion of the industry.

Southern Rhodesian European agriculture has been a Federal subject since the establishment of the Federation itself, and Northern Rhodesian European agriculture became a Federal subject on January 1, 1956. Figures for European agriculture for Southern Rhodesia show that there has been an increase of £10 million in the value of the total farming output in the last five years, the figure now standing at £34.5 million. Farmers' operating costs reached the new record figure of £24.7 million, of which African wages were £7,900,000.

Records in value for mineral production during 1955 were established in both Rhodesias. In the north £120.3 million worth of copper and cobalt were produced.

In the south the tobacco crop record was exceeded by £250,000 by the value of minerals, which were valued at £20.5 million, of which base minerals made up £13.9 million and gold the balance.

Labour relations are of growing importance and in the north both the major copper interests have signed agreements with the European Unions on African advancement. It is accepted as policy in both agreements that transfers of European-held jobs to Africans will not be made without prior consultation, and agreements are to run for three years. In the south the Prime Minister, Mr. Garfield Todd, as Chairman of a Select Committee on Native Trade Unions, presented a report which was the result of sixteen months' work and which Parliament accepted unanimously.

### Africans in the Trade Unions

THE Committee recommended that the Native Industrial Workers' Union Bill, which provided for the establishment of specifically African Trade Unions, be scrapped. Instead it recommended the creation of machinery for

the establishment of racial partnership in the field of industrial negotiation. It proposed that this should be done by amending the existing Industrial Conciliation Act so that Africans are no longer excluded from the provisions of the Act. The effect of this would be to open the whole field of industrial negotiations to the African through the present Industrial Council system. The report states, "Almost without exception European trade-union leaders were confident that the existing European trade-unions would open their doors to Africans", and further, "It was a remarkable fact that, with hardly a single exception, the representatives of both European and African labour were in favour of extending the Industrial Conciliation Act to Natives." The Committee recognized, nevertheless, that there might be problems and recommended that, where European unions would not admit Africans, or were for skilled workers only, and Africans in general might be unskilled, or there was no union, Africans could form a union of their own; but they would have to satisfy the standards laid down by the Industrial Conciliation Act. A further extract from the report reads,

It is clear that the acquisition of skill by our labour force, as well as the proper use of existing skill, has a direct bearing on production and therefore on standards of living generally, and the existence of adequate technical training facilities is thus a matter of the utmost importance from all points of view. It is a subject which does not fall strictly within our terms of reference, except to stress the urgency of the matter as it has appeared to us in the course of our inquiry, and except as it relates to the problem of industrial relations and the African worker in industry. In this latter connexion your Committee have noted that one important means of technical training, namely by apprenticeship, has in effect been closed to the African in the past, not by law but due to the fact that European artisans have objected to employers taking on Africans as apprentices. We feel that the principle of equality of opportunity for technical training is part and parcel of a really sound system of industrial relations, and it may be that the establishment of a system such as we have proposed will result eventually in a disappearance of the feeling underlying the bar to apprenticeship which we have mentioned. However, your Committee consider that this is likely to be a long process, and in any event apprenticeship, even if it is available, is no substitute for an adequate system of technical training schools which is lacking in this country at the present time.

The report is accepted as being a very great advance in the field of labour relations in Central Africa.

### The Kariba Project

**O**VERSHADOWING all other plans for development in Central Africa stands the Kariba hydro-electric power project. Several recent ministerial statements have etched important details in, and have helped to dispel the fears that had grown as a result of heavy increases in the estimate of construction. Two hundred and fifty miles below the Victoria Falls an arch dam 360 feet high will throw the Zambezi River back into a lake 180 miles long and from 10 up to 42 miles in width. Turbines built in vast underground power-houses will give an annual output of 7,650 million kilowatt-hours.



The estimated cost per unit of power, delivered at the main substations, will show a progressive decrease over the period from 1961 to 1972 from 0·869*d.* to 0·283*d.* Estimated costs for the scheme are £80,000,000 for the first stage and about £113,000,000 for the completed scheme. To assist the Federal Government in this vast undertaking local organizations have offered to lend the following sums: Northern Rhodesia Copper companies £20,000,000, the British South Africa Company £4,000,000, Barclays' Bank £2,000,000 and the Standard Bank £2,000,000. Further assistance is to be given by the copper mines, in that they have accepted a special surcharge on Kariba Power consumed by them over the period 1961-67, which will yield a further £10,000,000. Important assistance for the scheme is expected to be provided by the Colonial Development Corporation and by the Commonwealth Development Finance Corporation. The latest announcement made on April 23 by Lord Malvern, Federal Prime Minister, appears to fill in the last important finance gap for the first stage. He said that the World Bank is to lend money towards the cost of the scheme. The decision indicated, said Lord Malvern, that after exhaustive investigations the Bank is satisfied that the scheme is in the best economic interests of the Federation, that it is technically sound, that the demand for power has not been over-estimated and that the necessary external borrowing is within the country's capacity. At Kariba itself a growing army of contractors have for the last year been cutting roads, building bridges, erecting houses and excavating for foundations and for power stations from the solid rock, and the target date for the flow of power is 1960.

### African Development

IN Southern Rhodesia the Government has produced its third major plan for African development in two years. The first covers the implementation of the Land Husbandry Act in a five-year period. The first year of this plan has been completed and work is ahead of schedule. The second concerns African home-ownership in towns, and the first 300 African families are proud occupants of their new homes. The present scheme is for 5,500 houses. The third plan is for a substantial increase in Native Education, and the major point is the training of a further 5,000 teachers by 1960. This would raise the percentage of trained teachers from its present 36 to 70. The secondary school system is to be developed, commercial training initiated, agricultural training extended, and a beginning made with technical education. Plans call for a total spending of £12·5 million over the five-year period and £2·5 million of the additional expenditure will be met from a direct increase in the African tax. Approximately one-third of all revenue in Southern Rhodesia today is spent on specific African projects.

Amongst the £11,000,000 worth of buildings that are on the drawing-boards for Salisbury, at present, is one for half a million pounds for the British South Africa Company. It is to be ten stories high and will provide 61,365 square feet of office accommodation for the British South Africa Company, and also for the Anglo-American Corporation. The site for the new Charter House was bought last year for £100,000. Building of houses and flats is changing the face of Salisbury. One hundred and twelve blocks of

flats are already built or have been planned for the quiet tree-shaded residential area of the avenues, and yet, despite the enormous building drive of the past five years, there are still 6,500 acres of land vacant within the city boundaries. The Government of Southern Rhodesia is sponsoring the low-cost housing projects which provide homes for around £2,000. Purchasers are required to put down 10 per cent and can pay off the balance for as little as £13. 15s. *od.* per month.

### Industrial Progress

THE United Kingdom Atomic Energy Authority has opened an office in Salisbury to advise the Federation on materials connected with Atomic Energy. The Authority is interested in encouraging the discovery and exploitation of uranium ore-bodies and is offering advice and assistance to prospectors. All work is carried out in co-operation with the local geological departments. Advice is being given on the special methods used in prospecting for uranium and the use of radio-metric equipment is demonstrated. A local firm is producing geiger counters for sale.

Mineral Search of Africa (Ltd.), a subsidiary of the Rio Tinto Company, has secured an option to prospect an extensive nickel claim situated near Gatooma in Southern Rhodesia. It is reported that the option price paid was £320,000 and, although extensive boring is already taking place, it will be a year before the full investigation is completed.

The new rail line between Bannockburn and Lourenço Marques—the first railway line to be built from the territory in half a century—is already proving its worth and traffic carried has far exceeded expectations. Petrol, oil and cars are heavy imports on this line, while copper, asbestos and chrome fill the trucks on their way to the coast. Transport is still a major problem and the unprecedented development of the country makes it impossible for the railways, despite their own rapid development, to catch up.

In the highlands of the eastern districts of Southern Rhodesia tens of thousands of acres of trees will soon come into profit, and the Government has been called upon to provide more adequate roads so that the timber can be brought to market. Early this year a £1 million road contract was signed—believed to be the largest contract ever placed for rural roads in Southern Africa. The new road will have a double-lane bituminous surface and will be served by high-level bridges. It will also serve further to open up the delightful scenery and bracing climate to tourists.

Today's story of the Federation is a story of great material progress, for by 1958/9, besides Kariba, some £27 million will be spent from loan funds on general development. Another sign of satisfactory progress is the rise of the visible trade balance from £28 million in 1954 to £39 million in 1955.

The greatest challenge to the people of the Federation is to transform both European and African exclusiveness into a common nationalism so that the people will come to share, not only a common land, but also a growing concern for each other's needs and welfare. There is still a sharp division amongst Africans and amongst Europeans. Particularly in Nyasaland and Northern Rhodesia there are strong nationalist movements amongst the Africans, but

in all three territories there are those who work for a better understanding between the races. Partnership grows in meaning and a much more liberal attitude is in evidence amongst most Europeans. Admittedly the newly formed Dominion Party repudiates "partnership" and speaks of "co-operation" with the African people, and this Party won the Sebakwe by-election for the Federal Parliament. Sebakwe had been held by the "segregation" group and had fallen vacant because of the elevation of Mr. Dendy Young to the bench. The Federal Party has endeavoured to draw comfort from the fact that "anyway Mr. van Eden's *apartheid* candidate was also unsuccessful".

Much is being done to advance the African people; but the whole future of the Federation depends, not on material resources for they are there in abundance, but upon spiritual resources. Today's need is for leadership—for courage and imagination grounded upon a deep love of our country and our seven million people.

Rhodesia,

May 1956.



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